皇城集团

WANG-ZHENG BERHAD

200301009817 (612237-K)

2021 ANNUAL REPORT

Quality
products
at **affordable**
prices

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AUDIT COMMITTEE

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Li Wai Leong (Chairman)

Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd)

Ch'ng Eng Hing

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482 / SSM PC No. 202208000250)

Thien Lee Mee (LS 0009760 / SSM PC No. 201908002254)

REGISTERED OFFICE

Level 5, Block B
Dataran PHB, Saujana Resort
Section U2
40150 Shah Alam
Selangor, Malaysia
Tel : 03 -7890 0638
Fax : 03 -7890 1032

CORPORATE OFFICE

No. 1 Jalan Utarid U5/19
Section U5, 40150
Shah Alam
Selangor Darul Ehsan
Tel : 03-7801 3333
Fax : 03-7801 3336

INVESTOR RELATIONS

Tel : 03-7801 3333
Fax : 03-7801 3336
Email : vfyong@wangzhengcorp.com

SOLICITORS

Teh & Lee Advocates and Solicitors
A-3-3 & A-3-4
North Point Offices, Mid Valley City
No. 1, Medan Syed Putra Utara
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia
Tel : 03-2283 2800

PRINCIPAL BANKERS

AmBank (M) Berhad
Hong Leong Bank Berhad
CIMB Bank Berhad

REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor, Malaysia
Tel : 03-7890 4700
Fax : 03-7890 4670

AUDITORS

Messrs PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Tel : 03-2173 1188
Fax : 03-2171 1288

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : WANGZNG
Stock Code : 7203

WEBSITE

www.wangzhengberhad.com

CORPORATE STRUCTURE

皇城集团
WANG-ZHENG BERHAD
200301009817 (612237-K)

- 100% **WANG-ZHENG CORPORATION SDN. BHD.**
  Registration No. 198701008235 (166952-D)
- 100% **QUALITY HERO CORPORATION SDN. BHD.**
  Registration No. 200001012762 (515368-M)
- 100% **CAREFEEL COTTON INDUSTRIES (M) SDN. BHD.**
  Registration No. 199301013509 (268247-U)
- 100% **NEW TOP WIN CORPORATION SDN. BHD.**
  Registration No. 199401016709 (302387-H)
- 100% **MODERN ALPINE SDN. BHD.**
  Registration No. 200201005945 (573608-P)
- 100% **WONDERFUL EDEN SDN. BHD.**
  Registration No. 201001009703 (894333-U)

QUALITY PRODUCTS

AT AFFORDABLE PRICES

PROFILE OF DIRECTORS

HUI LIN CHIT

Non-Independent Non-Executive Chairman
Chairman of Remuneration Committee

Gender	Male	**Race**	Chinese
Nationality	Republic of China	**Age**	68

Mr. Hui Lin Chit was appointed to the Board as Executive Director on 15 June 2017. Subsequently, Mr. Hui was redesignated as Non-Independent Non-Executive Chairman on 25 September 2017. Mr. Hui is the Deputy Chairman and Executive Director of Hengan International Group Company Limited ("Hengan International" or "Hengan Group"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited with a stock code of 1044, which is the Ultimate Holding Company of Wang-Zheng. He provides support for Hengan Group's long-term development. During the period of 1998 and 18 August 2021, Mr. Hui was appointed as Chief Executive Officer and responsible for strategic planning, human resources and the overall management of Hengan Group. Mr. Hui is one of the founding shareholders of Hengan International. He has over 37 years of experience in manufacturing and distribution of fast moving family consumer products. He resigned as Chief Executive Officer, a member of nomination committee and remuneration committee of Hengan International on 18 August 2021. Mr. Hui has the title of senior economist in People's Republic of China ("PRC"). He is also a Deputy Chairman of All-China General Chamber of Industry and Commerce, Chairman of Fujian Province Industry and Trade Association, United Nations Maritime-Continental Silk Road Cities Alliance, and the Jinjiang City Charity Federation.

During the period from 1998 to 2012, Mr. Hui was a member of the Ninth, Tenth and Eleventh National Committee of the Chinese People's Political Consultative Conference. During the period from 1997 to 2011, he was also a member of the Executive Committee (at the Eighth) and Standing Committee (at the Ninth), and Deputy Chairman (at the Tenth) of All-China Federation of Industry and Commence. He was also a Deputy Chairman of the Ninth, Tenth and Eleventh Quanzhou Municipal China Federation of Industry and Commence and the Chairman of the Tenth, Eleventh, Twelfth and Thirteenth Quanzhou Federation of Industry and Commence. Mr. Hui was the Chairman and is currently a Non-Executive Director of Qinqin Foodstuffs Group (Cayman) Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. (Stock code: 1583)

Save as disclosed above, he does not hold directorships in any other public companies and listed issuer in Malaysia. He is a director and indirect substantial shareholder of Hengan (Malaysia) Investments Company Limited, a major shareholder of the Company. He is the father of Mr. Hui Ching Chi, an Executive Director of the Company. He has no conflict of interest with the Company other than those disclosed in the Company's Circular to Shareholders dated 25 May 2021. He has not been convicted of any offences, within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

Mr. Hui attended all four board meetings held during the financial year ended 31 December 2021.

PROFILE OF DIRECTORS
(CONT'D)

GOH KHENG JIU

Managing Director
Chief Executive Officer

Gender	Male	Race	Chinese
Nationality	Malaysian	Age	62

Mr. Goh Kheng Jiu was appointed to the Board as the Managing Director and Chief Executive Officer of Wang-Zheng on 16 July 2004. Mr. Goh oversees the daily operations and strategizes the business directions of Wang-Zheng Group.

Goh Kheng Jiu completed his studies in 1978 when he obtained the General Certificate of Education. After a six (6) months' stint as a clerk-of-work with Tan Swan Brothers Sdn Bhd, a property developer, Goh Kheng Jiu's involvement in the consumer products industry commenced in 1979 when he, together with Mr. Thang Yuen Mei (a former Director of subsidiaries, Quality Hero Corporation Sdn Bhd) started their own business of producing and distributing noodles to food centers ranging from hawker stalls to restaurants. Two (2) years later in 1981, he joined Hong Soon Huat Sdn Bhd, a sundry goods trading company, as a sales executive. From 1985 to 1987, Mr. Goh was attached to Unikota Holdings Sdn Bhd as a director. The company was principally involved in manufacturing of tissue paper and sanitary products, and trading of food items. Throughout the years, Mr. Goh acquired in-depth knowledge and experience in the consumer products industry. Foreseeing the potential of the consumer products industry, Mr. Goh, together with the late Khoo Beng Hwa and Thang Yuen Mei, incorporated Wang-Zheng Corporation Sdn Bhd ("WZC") in December 1987. Mr. Goh is highly instrumental in spearheading the progress and expansion of Wang-Zheng Group. From a small trading company in 1987, Wang-Zheng Group has become a reputable manufacturer and distributor of disposable fibre-based products and processed papers.

He does not hold directorships in any other public companies and listed issuer in Malaysia. He has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

Mr. Goh attended all four board meetings held during the financial year ended 31 December 2021.

HUI CHING CHI

Executive Director

Gender	Male	Race	Chinese
Nationality	Republic of China	Age	37

Mr. Hui Ching Chi was appointed to the Board as Executive Director on 25 September 2017. Mr. Hui is the Executive Director of Hengan International. Currently, Mr. Hui is the Chief Executive Officer of supply chain development, responsible for the overall strategy relating to Hengan Group's planning and purchasing of raw materials and logistics management and international business. Mr. Hui holds a Law Degree from the London University. He was the Director of Supply Chain Management of Hengan Group from 2015 to 2016. Mr. Hui worked in a major international bank in London prior to joining Hengan Group in February 2008.

He does not hold directorships in any other public companies and listed issuer in Malaysia. He is a director and indirect substantial shareholder of Hengan (Malaysia) Investments Company Limited, a major shareholder of the Company. He is the son of Hui Lin Chit, the Non-Independent Non-Executive Chairman of the Company. He has no conflict of interest with the Company other than those disclosed in the Company's Circular to Shareholders dated 25 May 2021. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

Mr. Hui attended all four board meetings held during the financial year ended 31 December 2021.

PROFILE OF DIRECTORS (CONT'D)

LI WAI LEUNG

Executive Director
Chairman of Risk Management Committee

Gender	Male	Race	Chinese
Nationality	Republic of China	Age	44

Mr. Li Wai Leung was appointed to the Board as Executive Director on 15 June 2017. Mr. Li obtained his bachelor's degree in Business Administration in Accounting and Finance from the University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Li joined Hengan Group on 3 January 2017 as the Deputy Chief Financial Officer. On 26 March 2020 he was appointed as the Chief Financial Officer of Hengan International, he is also the Company Secretary and authorised representative of Hengan International. Before joining Hengan Group on 3 January 2017, Mr. Li also worked as the chief financial officer of two sizable PRC-based manufacturing companies and as a senior manager in PricewaterhouseCoopers.

He does not hold directorships in any other public companies and listed issuer in Malaysia. He is a director of Hengan (Malaysia) Investments Company Limited, a major shareholder of the Company. Save as disclosed, he has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company other than those disclosed in the Company's Circular to Shareholders dated 25 May 2021. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

Mr. Li attended all four board meetings held during the financial year ended 31 December 2021.

WONG PUI WAI NANCY

Executive Director

Gender	Female	Race	Chinese
Nationality	Republic of China	Age	40

Ms. Wong Pui Wai Nancy was appointed to the Board as Executive Director on 25 September 2017. Ms. Wong was appointed as the Managing Director of the Hengan Pharmacare Co. Ltd, an indirect subsidiary of Hengan International in 2016. Prior to the appointment, she has possessed over 16 years of experience in finance and purchasing. She worked at Joyce Boutique Holdings Limited, a company listed on the Main Board of Hong Kong Stock Exchange as a Buyer. She worked for private banks in Los Angeles after obtaining her Bachelor Degree in Business Administration in Finance at the University of Southern California in 2003.

She does not hold directorships in any other public companies and listed issuer in Malaysia. She has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

Ms Wong attended all four board meetings held during the financial year ended 31 December 2021.

PROFILE OF DIRECTORS
(CONT'D)

SZE MAN BOK

Non-Independent Non-Executive Director
Chairman of Nomination Committee

Gender	Male	Race	Chinese
Nationality	Republic of China	Age	72

Mr. Sze Man Bok was appointed to the Board as Executive Director on 15 June 2017. Subsequently, Mr. Sze was redesignated as Non-Independent Non-Executive Director on 25 September 2017. Mr. Sze is the Chairman of Hengan Group and Executive Director of Hengan International. He is responsible for Hengan Group's overall corporate direction and business strategy. Mr. Sze is one of the founding shareholders and a member of the Nomination Committee of Hengan International. Mr. Sze has over 37 years of experience in manufacturing and distribution of fast moving consumer products. Mr. Sze is currently a Non-Executive Director of Qingqin Foodstuffs Group (Cayman) Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. (stock code : 1583).

Save as disclosed above, he does not hold directorships in any other public companies and listed issuer in Malaysia. He is a director of Hengan (Malaysia) Investments Company Limited, a major shareholder of the Company. Save as disclosed, he has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company other than those disclosed in the Company's Circular to Shareholders dated 25 May 2021. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

Mr. Sze attended all four board meetings held during the financial year ended 31 December 2021.

MAJ GEN DATO' PAHLAWAN DR MOHANA DASS A/L RAMASAMY (RTD)

Senior Independent Non-Executive Director
Member of Audit Committee, Remuneration Committee and Risk Management Committee

Gender	Male	Race	Indian
Nationality	Malaysian	Age	74

Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd) was appointed to the Board on 3 April 2006. On 11 April 2018, Dato Mohana Dass was appointed by the Board as Senior Independent Non-Executive Director of the Company. Amongst his many qualifications Dato' Mohana Dass holds a Masters in Health Planning of the University of New South Wales and is a Fellow of the Faculty of Occupational Medicine of the Royal College of Physicians of Ireland, and a Fellow of the Academy of Medicine of Malaysia. He served the Malaysian Armed Forces from 1975 to 2004, and retired as the Director General of the Armed Forces Health Services. Dato Mohana Dass is the Deputy Chairman of the Board of Governors of the University of Cyberjaya and Non-Executive Chairman of Eximius Medical Administration Solutions Sdn Bhd (eMAS).

He has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

Dato' Mohana Dass attended all four board meetings held during the financial year ended 31 December 2021.

LOO CHOO HONG

Independent Non-Executive Director
Chairman of Audit Committee

Gender	Male	**Race**	Chinese
Nationality	Malaysian	**Age**	49

Mr. Loo Choo Hong, is an Independent Non-Executive Director and Chairman of the Audit Committee of Wang-Zheng Berhad. He was appointed to the Board on 27 July 2004. He was admitted as a member of the Association of Chartered Certified Accountants (ACCA) in 1998, and is currently a Fellow member of the accountancy body. He is also a member of the Malaysian Institute of Accountants (MIA) and an associate member of the Institute of Internal Audit since 2001 and 2005 respectively. He commenced his career as an Audit Assistant in a local accounting firm in 1998 and subsequently left as an Audit Supervisor in 2001, before he joined K.H. Kwong & Company, as an Audit and Tax Manager. In 2005, he founded C.H. Loo & Co. and Pro Cast Group of Companies which offers various professional corporate and management services. Pro Cast Group of Companies was merged with ASQ Group in January 2018, he is currently the tax director of ASQ Tax Services Sdn. Bhd. He is also an Independent Non-Executive Director, the Chairman of the Audit Committee of Timberwell Berhad. In addition, he holds several other directorships in a number of private limited companies.

He has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

Mr. Loo attended all four meetings held during the financial year ended 31 December 2021.

CH'NG ENG HING

Independent Non-Executive Director
Member of Nomination Committee and
Risk Management Committee

Gender	Male	**Race**	Chinese
Nationality	Malaysian	**Age**	55

Mr. Ch'ng Eng Hing was appointed to the Board on 27 July 2004. After his graduation from University of Leicester, United Kingdom in 1994 with a LLB (Honours), Mr. Ch'ng was called to the Middle Temple Bar, United Kingdom in 1995. Upon completion of his pupilage, he joined the Malaysian Bar Council as a member in 1996 and up till 1998, Mr. Ch'ng was attached to Messrs Cheang & Ariff as a legal assistant and as a sole proprietor of Messrs Frank Ch'ng & Associates, which he founded in 1999. Mr. Ch'ng is currently practicing as a sole proprietor under the name and style of Messrs Frank Ch'ng. As a former national athlete (basketball 1983-1989) Mr. Ch'ng represented Malaysia in various international tournaments including the 1986 FIBA World Cup in Spain, SEA Games 1985 in Bangkok (Silver Medal), SEA Games 1987 in Jakarta (Silver Medal) and SEA Games 1989 in Kuala Lumpur (Gold Medal), Mr Ch'ng is currently actively involved with the Malaysian Bar as the player/coach for the Malaysian Bar basketball team participating in the annual Bench and Bar Games with the Law Society of Singapore. Mr. Ch'ng was also previously actively involved in the Club Volkswagen Beetle Malaysia where he served as its legal adviser in 1997 and as its honorary secretary in 2000.

He does not hold directorships in any other public companies and listed issuer in Malaysia. He has no family relationship with any Director and /or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

Mr. Ch'ng attended all four board meetings held during the financial year ended 31 December 2021.

PROFILE OF DIRECTORS
(CONT'D)

LOW YU KEAT

Independent Non-Executive Director
Member of Audit Committee, Nomination Committee and Remuneration Committee

Gender	Female	**Race**	Chinese
Nationality	Malaysian	**Age**	64

Madam Low Yu Keat was appointed to the Board on 27 July 2004. She is a member of the Institute of Chartered Secretaries and Administrators, and has over 26 years of experience in finance, human resources and administration under her belt. She started her career as a company secretary with Company Management Sdn Bhd where she was attached to from 1976 to 1981. Subsequently, in 1981, she joined Bridgecon Berhad. She rose through the ranks over her 15 years tenure at the company. From an administration assistant, she was promoted to become the administration manager in 1987. She was subsequently appointed to head the group human resource and administration department in 1995, a position she held until 1997. After being a homemaker from 1997 to 1999, Madam Low joined her spouse's sports apparel company, Garoos Sports (M) Sdn Bhd in 1999, where she has served as an executive director since 2000.

In January 2020, she joined a distributor and wholesaler company, Multi Venture Networks Sdn Bhd as Accounts Manager.

She does not hold directorships in any other public companies and listed issuer in Malaysia. She has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

Madam Low attended all four board meetings held during the financial year ended 31 December 2021.

PROFILE OF KEY SENIOR MANAGEMENT

CHAI TUCK CHUEN

Director
Carefeel Cotton Industries (M) Sdn Bhd

Gender	Male	Race	Chinese
Nationality	Malaysian	Age	62

Mr. Chai Tuck Chuen is a Director of our subsidiary company, Carefeel Cotton Industries Sdn Bhd ("CCI"). He was an Executive Director of Wang-Zheng Berhad for the period from 27 July 2004 until 25 September 2017. After completing his studies in 1978 and being involved in sales of various companies for three (3) years, Mr. Chai joined Techskill Auto Parts Trading Supplies Sdn Bhd, an auto-parts trading company as a marketing executive in 1981. In his 14 years in the company until 1995, Mr. Chai rose through the ranks, and was eventually appointed as an executive director of the company. He subsequently joined CCI in 1995 as a director. Mr. Chai oversees the daily operations of CCI, which sells its products to both local and overseas markets.

He does not hold directorships in any other public companies and listed issuers in Malaysia. He is the brother of Mr. Chai Teck Seng, the Senior Sales and Marketing Manager of Wang-Zheng Corporation Sdn Bhd ("WZC"). He has no family relationship with any Director and/ or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

TEH HUI GUAN

Director
New Top Win Corporation Sdn Bhd

Gender	Male	Race	Chinese
Nationality	Malaysian	Age	57

Mr. Teh Hui Guan is a Director of our subsidiary company, New Top Win Corporation Sdn Bhd ("NTW"). He was an Executive Director of Wang-Zheng Berhad for period from 27 July 2004 until 25 September 2017. Upon completing his studies in 1980, Mr. Teh assisted in the management of his family's business which is involved in trading of sundry products. Mr. Teh became involved in the processed paper business when he was subsequently engaged as a sales executive in Springfield Corp Sdn Bhd, a paper trading company from 1987 to 1992. He subsequently founded Top Win Enterprise which is also involved in paper trading. Subsequently, in 1994, together with WZC, Mr. Teh founded NTW. With his extensive experience in the processed paper business, Mr. Teh is the primary force in the transformation of NTW, from a small paper trading company, to become one of the top five (5) paper importers, converters and distributors in Malaysia.

He does not hold directorships in any other public companies and listed issuers in Malaysia. He is the brother-in-law of Goh Kheng Jiu, the Managing Director, Chief Executive Officer of the Company. He has no conflict of interest with the Company and has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

SOH LAY CHING

Director
Modern Alpine Sdn Bhd

Gender	Female	Race	Chinese
Nationality	Malaysian	Age	56

Ms. Soh Lay Ching is a Director of our subsidiary company, Modern Alpine Sdn Bhd ("MA"). Upon graduating from College Tunku Abdul Rahman in 1986, she continued further study and obtained her LCCI Diploma from Systematic College in 1990. She worked as a Secretary to Managing Director of Paper Dealer Coventry (Australian Paper Trading Company) from 1990 to 1995. Subsequently, she worked for Spicers Paper (Malaysia) Sdn Bhd as a Product Development Manager from 1995 to 2001. Ms Soh joined MA in 2001 where she is responsible for overseeing the whole operation activities of the Company, especially in Sales and Marketing, and Administration process.

She does not hold directorships in any other public companies and listed issuer in Malaysia. She is the sister of Mr Soh Kian Wee, the Sales and Marketing Manager of MA. She has no family relationship with any Director and/ or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

PROFILE OF KEY SENIOR MANAGEMENT
(CONT'D)

KHOO BENG KEONG

Director and the Factory Manager
Quality Hero Corporation Sdn Bhd

Gender	Male	Race	Chinese
Nationality	Malaysian	Age	56

Mr. Khoo Beng Keong is a Director and the Factory Manager of our subsidiary company, Quality Hero Corporation Sdn Bhd ("QHC"). Mr. Khoo obtained his Sijil Pelajaran Menengah in 1983. Upon graduation in 1984, he joined Delvaco (M) Sdn Bhd as a sales coordinator. In 1987, he left the company, and subsequently joined QHC as a factory manager. Mr. Khoo is responsible for overseeing the overall production of disposable baby and adult diapers, sanitary protection and tissue products of QHC. Mr. Khoo also involved in amongst others, production scheduling, material planning and quality control of the Company. He has attended various training programmers on operation the plant and machineries in Italy.

He does not hold directorships in any other public companies and listed issuers in Malaysia. He has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

YONG VOON FUI

Group Accountant

Gender	Male	Race	Chinese
Nationality	Malaysian	Age	53

Mr. Yong Voon Fui has served as the Group Accountant of the Group since end of 2009. He is leading the accounts department; overseeing the entire financial management, taxation matters, investment portfolio, corporate governance, internal audit function, risk management, sustainability and general management of the Group. Prior to this position, he also served as Group Accountant in a Malaysia listed company from 2008 to 2009. He has served as the Finance and Administration Manager from 1999 to 2004 in a company listed on OTCBB in USA. Subsequently, he was promoted to Chief Accounting Officer from 2005 to 2007. He served as the Accounts Executive in a PLC listed on Bursa from 1995 to 1996 and a PLC listed on SGX from 1996 to 1999. Prior to this position, he served as Audit cum Accounts Supervisor with an audit firm from 1994 to 1995. Mr. Yong is an Associate of the Chartered Institute of Management Accountant (CIMA), United Kingdom, a member of the Chartered Global Management Accountant (CGMA), an Associate of the CPA Australia (CPA Aust.) and also a member of Malaysian Institute of Accountants (MIA). Mr. Yong has extensive experience in financial, management accounting, taxation, corporate governance, internal audit, human resource and general management.

He does not hold directorships in any other public companies and listed issuers in Malaysia. He has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

ZHANG WEN TONG

General Manager
Wang-Zheng Corporation Sdn Bhd

Gender	Male	Race	Chinese
Nationality	Republic of China	Age	40

Mr. Zhang Wen Tong was appointed as General Manager of our subsidiary company, WZC on 1 November 2019. He graduated from University of Hua Qiao, P.R. China with a Professional in Marketing in 2002. Upon completion of his studies, Mr. Zhang joined Hengan Group as a Customer Relationship Manager. He was promoted to Sales Manager from 2005 to 2006. Subsequently, he served as Branch Operation Manager from 2006 to 2014. He was promoted to Sales General Manager from 2015 to 2016 and served as one of the Ameoba Sales Leaders in charge for sales activities from 2017 to 2018. Mr. Zhang was appointed as a General Manager of WZC in 2019 to oversee the daily operations of WZC and is responsible for developing the sales and marketing network for WZC's products.

He does not hold directorships in any other public companies and listed issuers in Malaysia. He has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

LIU YONG

Deputy General Manager
Quality Hero Corporation Sdn Bhd

Gender	Male	Race	Chinese
Nationality	Republic of China	Age	34

Mr. Liu Yong was appointed as Deputy General Manager of our subsidiary company, QHC on 1 January 2020. Upon completing his Mechatronics study from an adult secondary professional school in P.R. China in 2005, he joined Hengan Group as a machine operator. He was promoted as Production Line Leader in 2007, and pursued his Degree study in Business Management from Chengdu Radio & TV University, P.R. China. Upon completion of his studies in 2009, he was promoted as Production Team Leader. Subsequently, he was promoted as Production Manager from 2013 to 2019. He was appointed as a Deputy General Manager of QHC in 2021 to oversee the daily operations of QHC and is responsible for developing quality products for QHC.

He does not hold directorships in any other public companies and listed issuers in Malaysia. He has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

CHAI TECK SENG

Senior Sales and Marketing Manager
Wang-Zheng Corporation Sdn Bhd

Gender	Male	Race	Chinese
Nationality	Malaysian	Age	58

Mr. Chai Teck Seng is the Senior Sales and Marketing Manager of our subsidiary company, WZC. Upon graduating from Chong Hwa Independent High School in 1982, he helped manage his family's food business. Throughout the eight (8) years spent in the business, Mr. Chai acquired much management and sales experience, and developed numerous contacts within the consumer goods industry. Subsequently in 1990, Mr. Chai joined WZC as a Marketing Manager and is in charge of the planning and co-ordination of the marketing activities of the Company.

He does not hold directorships in any other public companies and listed issuers in Malaysia. He is the brother of Mr. Chai Tuck Chuen, a Director of subsidiary company, CCI. He has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

SOH KIAN WEE

Sales and Marketing Manager
Modern Alpine Sdn Bhd

Gender	Male	Race	Chinese
Nationality	Malaysian	Age	47

Mr. Soh Kian Wee is a Sales and Marketing Manager of our subsidiary company, MA. Mr. Soh obtained his Sijil Pelajaran Malaysia in 1992. Subsequently, he worked with his family as a Marketing staff in fishery wholesale industry. In 2000, he joined Alumeco Sdn Bhd as a Site Supervisor for aluminium work in local and overseas. In April 2006, he joined MA as a Sales Executive. He was promoted to Assistant Sales Manager from 2012 to 2013. Subsequently, he was promoted to Sales and Marketing Manager in 2014 until present. Mr. Soh is responsible to lead junior sales and marketing team to achieve the monthly sales target. He is also overseeing the sales and marketing plan and strategies, product technical and quality issues as well as provide training to sales team, to compile market competitor's information and activity.

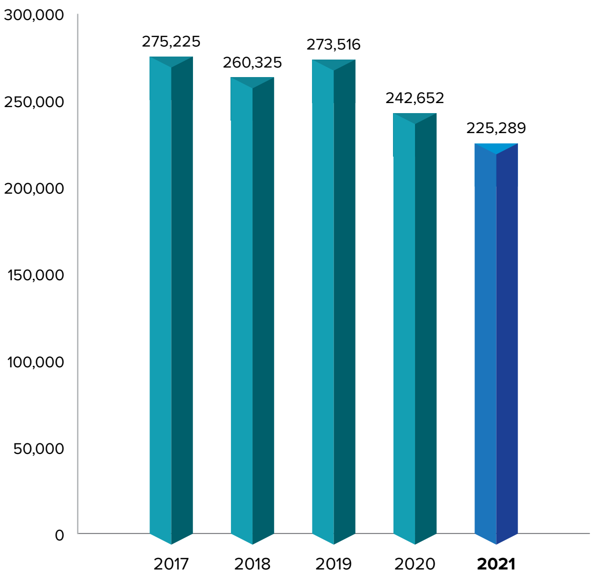
He does not hold directorships in any other public companies and listed issuers in Malaysia. He is the brother of Ms Soh Lay Ching, a Director of subsidiary company, MA. He has no family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2021.

QUALITY PRODUCTS
AT AFFORDABLE PRICES

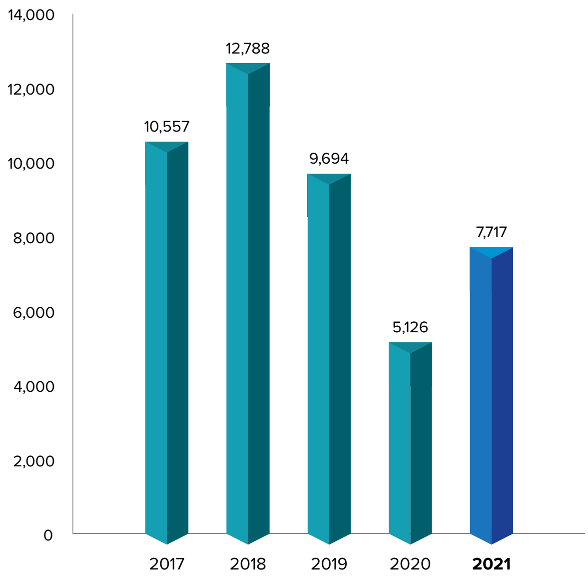
FINANCIAL
HIGHLIGHTS

	2017 RM '000	Restated 2018 RM '000	Restated 2019 RM '000	Restated 2020 RM '000	2021 RM '000
Revenue	275,225	260,325	273,516	242,652	225,289
Profit after tax	10,557	12,788	9,694	5,126	7,717
Shareholder's equity	186,320	191,974	195,325	193,315	196,274
Earnings per share (sen)	6.66	8.06	6.11	3.23	4.87

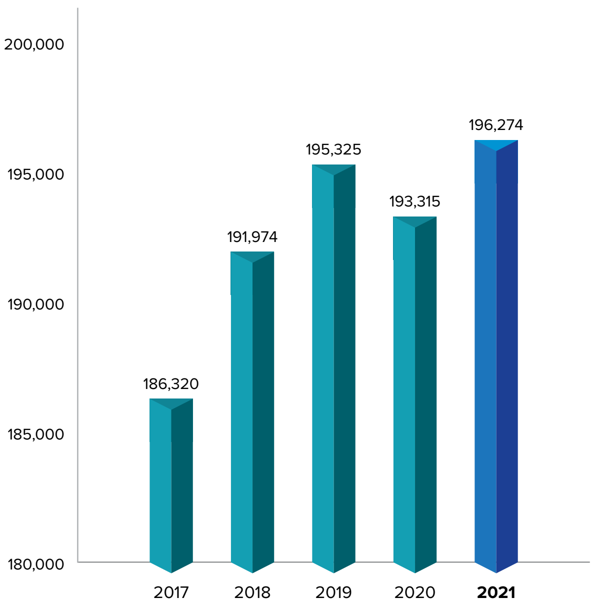
REVENUE
(RM'000)



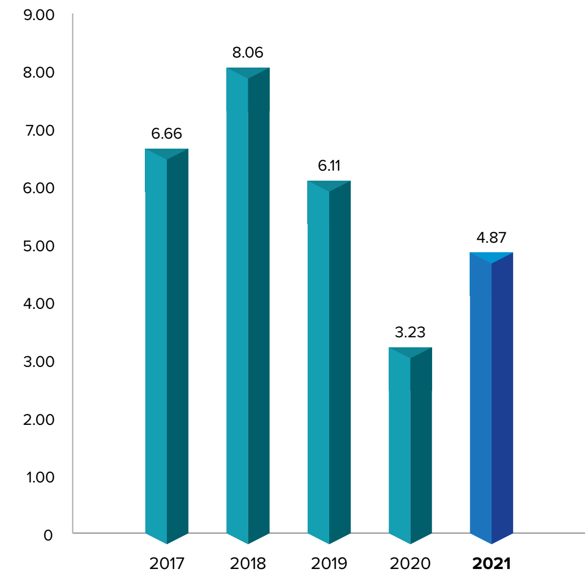
PROFIT AFTER TAX
(RM'000)



SHAREHOLDER'S EQUITY
(RM'000)



EARNINGS PER SHARE
(RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Background

Wang-Zheng Berhad ("Wang-Zheng" or the "Company") was involved in the distribution and wholesale of fast-moving consumer products during its early years. Under our resourceful stewardship, we have successfully developed an intensive distribution network for our products in Malaysia.

The Company has expanded into the processed paper business in 1994 via its investment in New Top Win Corporation Sdn. Bhd. ("New Top Win"). Subsequently, with the acquisition of Quality Hero Corporation Sdn. Bhd. ("Quality Hero"), Wang-Zheng became involved in the manufacturing of disposal fibre-based products as well.

With the emergence of Hengan (Malaysia) Investments Company Limited, an indirect wholly-owned subsidiary of Hong Kong-listed Hengan International Group Company Limited ("Hengan") in 2017, our manufacturing and administrative operations have been reviewed thoroughly and appropriate adjustments has been implemented to improve efficiency and to reduce wastage. Hengan established since 1985, via Hengan (Malaysia) Investments Company Limited, is currently our single largest shareholder.

(Wang-Zheng and its subsidiaries are collectively referred to as the "Group".)

Products

As mentioned above, subsidiaries of Wang-Zheng are principally involved in the importation and processing of processed papers, manufacturing and distribution of disposable fibre-based products. Our core products include:

(i) Processed Paper Products Segment — import, process and distribute various types of paper products. These activities are carried out by New Top Win and Modern Alpine Sdn. Bhd.; and

(ii) Disposable Fibre-Based Products Segment — manufacture and distribute disposable fibre-based products, including disposable adult and baby diapers, sanitary napkins, tissue products, cotton jumbo rolls, facial cotton, cotton bud and other cotton-related products. These activities are carried out by Wang-Zheng Corporation Sdn. Bhd., Quality Hero and Carefeel Cotton Industries (M) Sdn. Bhd.

Operational Updates

The Coronavirus Disease 2019 ("COVID-19") pandemic has been spanning over two years now, persisted to wreak havoc on the economy and people's lives across the world in 2021. Movement restrictions, which were implemented to curtail the virus spread, were gradually relaxed once the infectivity rates dipped.

However, because of the relaxed movement restrictions, this has caused a resurgence in infection numbers, leading to a re-tightening of the restrictions. It is inevitable that the governments around the world have to make difficult decisions in balancing between saving lives and livelihood when opening up the economy. The oscillation between tighten and relaxed movement restrictions caused widespread disruptions to businesses and the overall trajectory of the global economic recovery.

While operating conditions did not return to their pre-pandemic state in 2021, global growth momentum nonetheless improved as compared with the previous year. This was reflected in the World Bank's global growth estimate which puts economic growth at 5.5% for 2021 after the global gross domestic product ("GDP") contracted 3.4% in 2020. However, World Bank warned that recovery will be uneven depending on the fiscal support as well as vaccination rate.

In Malaysia, GDP growth in the third quarter contracted 4.5% year-on-year ("YoY") following the imposition of a nationwide lockdown aimed at curbing a resurgence in COVID-19 cases. Nevertheless, the acceleration of mass vaccination programmes and booster jabs that allowed for the gradual relaxation of mobility restrictions has improved consumer and business confidence despite the uncertainty. In 2021, Malaysian economy grew by 3.1% as a whole, recovering from the drop of 5.6% in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE (CONT'D)

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

Operational Updates (Cont'd)

(Source: Bank Negara Malaysia)

The Group recorded a total revenue of RM225.3 million in the financial year ended 31 December ("FYE") 2021, when comparing to RM242.7 million reported in FYE 2020, it shown a decrease of 7.2% which is largely due to the revenue contraction in the third quarter of 26.2% YoY following the imposition of a nationwide lockdown aimed at curbing the resurgence in infection numbers, which unfortunately hampered the Group's business activities.

Nonetheless, the Group's revenue rebounded in the fourth quarter by 3.7% YoY as economic activities resumed with easing of containment measures as a result of the acceleration of mass vaccination programmes and booster jabs by the Malaysian Government.

Overall, despite the fact that the Group's revenue reported a reduction in FYE 2021 as compared to FYE 2020, the Group recorded significant improvement in profit before tax ("PBT") which reported at RM11.7 million in FYE 2021, higher than the RM7.6 million recorded in FYE 2020 by 54.0%. The Group's FYE 2021 financial performance, amidst this economic turbulence, is a testament to our resilience and discipline. Our Group has been growing from strength to strength and embracing new challenges as we grow and we remain committed to providing quality products, as well as continuously improve our business processes to enhance cost optimisation and efficiency.

YEAR-ON-YEAR FINANCIAL REVIEW

For FYE 2021, we recorded our bottom line with a profit after tax ("PAT") of RM7.7 million with an increase of 50.5% as compared to PAT of RM5.1 million attained in FYE 2020. A summary of our financial performance and financial position indicators for FYE 2021 and FYE 2020 are as follows:

	Audited FYE 2021 RM'000	(Restated) Audited FYE 2020 RM'000	Variance RM'000	%
Our financial performance				
Revenue	225,289	242,652	-17,363	-7.2
Gross profit ("GP")	31,694	30,813	881	2.9
PBT	11,657	7,570	4,087	54.0
PAT	7,717	5,126	2,591	50.5
GP margin (%)	14.1	12.7	1.4 bp	11.0
PBT margin (%)	5.2	3.1	2.1 bp	67.7
PAT margin (%)	3.4	2.1	1.3 bp	61.9

	Audited FYE 2021 RM'000	Audited FYE 2020 RM'000	Variance RM'000	%
Revenue by products segment				
Processed paper products	150,607	164,293	-13,686	-8.3
Disposable fibre-based products	74,682	78,359	-3,677	-4.7
Revenue	**225,289**	**242,652**	**-17,363**	**-7.2**

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

(CONT'D)

YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)

Revenue

Our Group's revenue contracted from RM242.7 million in FYE 2020 to RM225.3 million in FYE 2021, representing a YoY decrease of RM17.4 million or 7.2%. The decrease in revenue was mainly due to the lower sales volume from both processed paper products and disposable fibre-based products. The re-tightening of movement restriction in third quarter to curb a resurgence in COVID-19 cases has regrettably taken a toll on our sales demand which had been on the path toward slow but promising recovery.

Gross Profit

Despite the decline in revenue, the Group recorded a GP of RM31.7 million in FYE 2021 as compared to RM30.8 million recorded in FYE 2020 with a YoY increase of RM0.9 million or 2.9%. Notwithstanding the challenges during the year, the GP margin for FYE 2021 remained resilient and recorded an improvement of 1.4 basic point ("bp") when compared to FYE 2020 mainly due to the Group was benefited from the low-priced raw material on hand. In addition to that, the Group continued to be mindful of cost discipline and optimisation through leveraging on our operational excellence and cost optimisation initiatives.

Profit before tax

In furtherance to the abovementioned analysis, our PBT increased to RM11.7 million in FYE 2021. When compared to FYE 2020 of RM7.6 million, this marked a YoY increase of RM4.1 million or 54.0%, which was largely resulted from the non-cash impairment loss on investment properties of RM4.0 million following an independent valuation exercise on investment properties performed in FYE 2020.

Excluding the impact of the RM4.0 million in impairment loss, our PBT in FYE 2020 would be RM11.6 million. The YoY growth of RM0.1 million or 0.8% (given that the said impairment loss is excluded) was largely due to the increased GP as mentioned above as well as reduction in marketing and distribution expenses of RM1.0 million in FYE 2021. However, the said increase was dampened by the decreased interest income by RM0.7 million in FYE 2021 following the reduction in interest rate as well as the increase in administrative expenses by RM0.7 million.

Profit net of tax attributable to the equity holders of the Company ("net profit")

Consistent with the above analysed PBT, the Group achieved a net profit of RM7.7 million in FYE 2021 which was higher than the net profit of RM5.1 million in FYE 2020 by RM2.6 million or 50.5%. As such, this has translated to our basic earnings per share for FYE 2021 at 4.87 sen, which was 1.64 sen higher than that of 3.23 sen attained in FYE 2020.

	Audited 31.12.2021 RM'000	(Restated) Audited 31.12.2020 RM'000	Variance RM'000	%
Our financial position				
Non-current assets	44,804	47,358	-2,554	-5.4
Current assets	231,806	221,151	10,655	4.8
Non-current liabilities	4,554	6,572	-2,018	-30.7
Current liabilities	75,783	68,623	7,160	10.4
Equity attributable to owners of the Company	196,274	193,315	2,959	1.5

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE (CONT'D)

YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)

Asset

Non-current assets comprising largely by right-of-use assets, property, plant and equipment, investment properties, and others. The non-current assets decreased from RM47.4 million as at 31 December 2020 to RM44.8 million as at 31 December 2021 which was largely caused by the depreciation charges of RM4.0 million, cushioned by the additions on property, plant and equipment of RM1.4 million.

During FYE 2021, the Group engaged an independent professional valuer to carry out a valuation exercise on its investment properties and it shown no further impairment loss on investment properties is required.

The additions on property, plant and equipment of RM1.4 million during FYE 2021 made up of RM0.6 million investment in additional bleaching tank to enhance production capacity, RM0.3 million in factory renovation as well as RM0.2 million in upgrading of accounting system for processed paper products segment so as to promote standardisation of reporting mechanism for both business segments.

Current assets increased from RM221.2 million as at 31 December 2020 to RM231.8 million as at 31 December 2021 which was predominately due to the increase in cash and bank balances by RM79.7 million. However, the increase in cash and bank balances was negated with the reduction in deposits with investment fund of RM62.4 million, reduction in inventory level by RM3.3 million as well as reduction in trade receivables by RM4.0 million which benefited from the better management of inventories level and trade receivables' collection.

Liabilities

Non-current liabilities comprising borrowings, deferred tax liabilities and lease liabilities which decreased by RM2.0 million or 30.7% YoY to RM4.6 million as at 31 December 2021 (31 December 2020: RM6.6 million). The said decrease was mainly due to RM1.2 million of the borrowings which was expected to fall due within the next 12 months.

Current liabilities comprising mainly trade and other payables, as well as short-term borrowings, which increased by RM7.2 million or 10.4% YoY to RM75.8 million as at 31 December 2021 (31 December 2020: RM68.6 million). The said increase was largely due to the higher short-term bank borrowings of RM8.6 million during FYE 2021. The higher utilisation on the short-term bank borrowings was in relation to the higher purchases in fourth quarter of FYE 2021, given the surge in sales demand in the said quarter. This was also to cautiously preserve our cash and liquidity so that the Group is well-positioned to continue to withstand the challenges and grow the business during this unprecedented business environment.

Liquidity, capital resources and gearing

As at 31 December 2021, cash and bank balance increased by RM79.7 million or 180.5% to RM123.9 million compared to RM44.2 million as at 31 December 2020. We generated a higher net cash inflow from operating activities by RM5.2 million when compared to FYE 2020 mainly due to the better management of inventory level and trade receivables' collection as mentioned above.

We also observed a significant net cash inflow generated from investment activities of RM61.0 million in FYE 2021 as compared to net cash used in investing activities of RM0.8 million in FYE 2020 mainly due to the withdrawal of deposits with investment fund of RM62.4 million.

In addition, there was also net cash inflow generated from financing activities of RM1.7 million in FYE 2021 mainly due to the net drawdown of bank borrowings of RM7.5 million to preserve cash and liquidity as mentioned above. We continued to exercise prudence in cash management in the wake of the pandemic outbreak. As such, our gearing ratio has been less than zero for both 31 December 2021 and 31 December 2020.

Our business operations are financed by a combination of internal and external sources of funds. Internal sources of funds comprise mainly shareholders' equity and cash generated from our operations, while the external source of funds comprises bank borrowings, hire purchase as well as credit terms granted by our suppliers. Credit terms granted to us by our suppliers range from 60 to 90 days.

MANAGEMENT DISCUSSION AND **ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE**

(CONT'D)

YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)

Liquidity, capital resources and gearing

The management believes that after considering our cash and bank balance as well as the funds envisaged to be generated from our business operations, we will be having adequate working capital to meet our present and foreseeable day-to-day business operation requirements. Save as aforementioned, we are not aware of any other known trends and events that are reasonably likely to have a material effect on our operations, performance, financial condition and liquidity.

Whereas for capital commitments, we do not enter into any capital expenditure agreement as of 31 December 2021.

REVIEW OF OPERATING ACTIVITIES

In FYE 2021, revenue from the processed paper products segment was RM150.6 million, which constituted 66.9% of the total revenue (FYE 2020: RM164.3 million and 67.7%) while revenue from disposable fibre-based products segment was RM74.7 million, constituted the remaining 33.1% (FYE 2020: RM78.4 million and 32.3%).

Overall, the domestic market still remained as the highest revenue contributor in FYE 2021, which recorded at RM208.7 million, constituted 92.7% of the total revenue (FYE 2020: RM224.5 million or 92.5%).

Processed Paper Products Segment

The processed paper products segment generated revenue of RM150.6 million as compared to RM164.3 million in the preceding financial year, recorded a YoY decrease of RM13.7 million or 8.3%. The decrease in revenue was mainly due to the lower sales volume as a result of the imposition of a nationwide lockdown in the third quarter aimed at curbing a resurgence in COVID-19 cases that had regrettably disrupted the business operation as well as the weakened of subdued demand by the gloomy market sentiments.

Our various types of processed paper products are only sold locally, mainly to local publishing and printing companies. They are subsequently used for printing and publishing textbooks, magazines, and catalogues or used as writing and printing paper.

Disposable Fibre-Based Products Segment

The disposable fibre-based products segment generated revenue of RM74.7 million in FYE 2021 which was less than RM78.4 million recorded in FYE 2020 by RM3.7 million or 4.7%. Our disposable fibre-based products are sold to local and Asian markets.

Against the challenging backdrop of FYE 2021, we continue to expand the market share of our disposal fibre-based products segment via e-commerce platform. This new and fast-growing e-commerce sector continues to improve, as digital content consumption and engagement grew beyond the lockdown periods and stay-at-home consumer habits further encouraged online orders and delivery. Additionally, by entering into e-commerce, we have expanded our ability to reach consumers beyond the existing geographic boundaries.

RISK PROFILES

Amidst the backdrops of the COVID-19 pandemic, we highlight below the key anticipated or known risks that our Group is exposed to that may have a material effect on our operations, performance, financial condition and liquidity. Our plans and strategies to mitigate these risks have also been disclosed below:-

(i) Business risks

Our Group is principally involved in the manufacturing and distribution of fibre-based products, which include disposable adult and baby diapers, sanitary protection and tissue products, cotton products and processed papers.

Hence, we are susceptible to the risks inherent to the manufacturing and consumer goods industries. These include, amongst others, any outbreaks of diseases affecting local and global markets, rising costs of labour and raw materials, availability of skilled personnel, changes in laws and regulations applicable to our business, business and credit conditions, as well as fluctuations in foreign exchange rates. There can be no assurance that any material changes to these factors will not have a material adverse effect on the business operations of our Group.

Nevertheless, our Group has been taking effective measures to mitigate the aforementioned risks such as prudent financial management and efficient operating procedures. Further, we constantly keep abreast of economic and regulatory changes relating to our business.

(ii) Operational risks

Due to the nature of our Group's operations, interruptions in our Group's operating capabilities through disruption in electricity supply and failure or damage of production machinery or other disruptions to our manufacturing processes due to any outbreaks of diseases including pandemics may have an adverse effect on our Group's business and financial performance.

In 2021, we continued to implement strict safety measures and Standard Operating Procedures ("SOPs") to ensure that everyone could return to work safely. We encouraged our staff to be vaccinated and as of 31 December 2021, 100% of our employees are fully vaccinated and we are in the process of ensuring all our employees complete their booster doses. We also have been providing self-test kits to our employees three times a week as we continue to be vigilant and encourage adherence to SOPs, while providing a safe workplace for our employees.

To avoid major breakdowns and disruptions to our operations, electricity supply and relevant equipment are constantly monitored and our production machinery undergoes scheduled maintenance.

(iii) Credit risks

The COVID-19 pandemic has affected our Group's business as we are exposed to credit risk due to slowdown in the collection of payments.

The Group evaluated the likelihood of the severity and impact of COVID-19 pandemic and concluded that the COVID-19 pandemic would not significantly affect the expected credit loss of financial assets.

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE
(CONT'D)

RISK PROFILES (CONT'D)

(iv) Foreign exchange risks

Our products are sold locally as well as in Singapore, Thailand, Brunei, Hong Kong, Taiwan and India. We also purchase raw materials from suppliers in Indonesia, China and Japan. As such, we are exposed to foreign exchange risks. There is no assurance that any foreign exchange fluctuation will not have an adverse impact on our earnings.

Although we do not actively hedge our Group's foreign currency exposure, we will continue to assess the need to utilise financial instruments to hedge our currency exposure, taking into consideration factors such as foreign currency, exposure period and transaction costs. For FYE 2021, our Group has not encountered any significant foreign currency exchange fluctuation that has resulted in material adverse impact on our Group's financials.

(v) Competition risks

The Group's revenue and profitability are exposed to the risk of uncertainty arising from global and local economic conditions affected by the COVID-19 pandemic. Furthermore, we continue to face competition from existing and new competitors who may be capable of offering similar products. Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

Nevertheless, our Group strives to maintain our competitive edge by ensuring the quality of our products through stringent quality assurance procedures. We also continuously place importance on improving our products by investing in market research and product development activities.

FORWARD-LOOKING STATEMENT

With the COVID-19 pandemic not subsiding any time soon and the emergence of new variants, the global outlook is far from being certain.

The World Bank, in its January 2022 Global Economic Prospects report, forecasted that the global economy would expand by 4.1% in 2022, slowing from the estimated 5.5% growth for 2021, taking into consideration of the continued COVID-19 flare-ups, diminished fiscal support and persistent supply-chain bottlenecks.

The World Bank had also projected that Malaysia's economy would grow by 5.8% in 2022, anchored by a rebound in domestic demand and continued expansion in exports. Meanwhile, Bank Negara Malaysia has projected Malaysia's growth in 2022 to be between 5.5% and 6.5% due to the resumption of economic activities, higher private sector expenditure, continued policy support and expansion in global demand.

(Source: World Bank Malaysia Economic Monitor: Staying Afloat)

Malaysia is well-positioned to continue benefitting from the expansion in global economic and trade activities. The acceleration of the COVID-19 booster vaccination programme and vaccination of children above 5 years old, coupled with sufficient capacity in the healthcare system, would improve domestic economic activities, thus strengthening the recovery momentum. However, the balance of risks remains tilted to the downside, mainly from development surrounding COVID-19, both globally and domestically.

The rapid increase on crude oil price as a direct result of Russia's invasion of Ukraine as well as the lingering shipping issue might intensify the volatility of the market. While market volatility will remain largely beyond our control, we are cautiously optimistic at this juncture and we will continue to look for pockets of income growth while being mindful of keeping costs down, to deliver a commendable performance. We remain focus to ensure our capital and liquidity buffers are robust so that we remain resilient to market uncertainties and business challenges.

FORWARD-LOOKING STATEMENT (CONT'D)

Generally, the demand for our products in Malaysia to be driven by the following factors:-

- paper and print media will continue to be used as a major form of communication and for the conveyance of information in Malaysia;
- a growing population in Malaysia is expected to spur the consumption of disposable fibre-based products such as sanitary napkins, baby and adult diapers, tissue and cotton products; and
- disposable fibre-based products are fast-moving consumer goods and are expected to provide resilient sales.

The Group will continue to explore new products development which aim to leverage on and emulate Hengan's strengths in the production and sales of other personal hygiene products including but not limited to sanitary napkin and diaper products. Further to the above, our Management also remains committed to grow our Group's current businesses, in other ASEAN countries, by leveraging our experience in fibre-based products and processed papers industries. We will continue to review our range of products and invest in product development to expand our product offerings of which a couple of new products are in the pipeline for launching.

As such, the Group will also continue to expand our product portfolios, broaden the product range, invest in brand building and promotional activities to remain competitive, to strengthen and expand into new marketing channels in Malaysia for its current products base and source for new products and business opportunities that are in synergy with the Group's current product range and activities.

Rapid digitalisation of the economy has been one of the most obvious outcomes of the pandemic. The movement restriction in Malaysia have led to massive growth in the digital and low-touch economy, spurring the e-commerce industry. For this reason, the Group will continue to prioritise our efforts on expanding our market reach of disposable fibre-based products segment by leveraging on e-commerce platform.

The Group continues to drive cost optimisation and therefore there is a plan to invest in baby diapers and tissue production lines as with the potential sales volume, it is more cost efficient to produce the products in Malaysia instead of importing them.

DIVIDEND

Sustainable long-term shareholder returns and value creation remain top of our priority list. Amidst the macroeconomic uncertainties, our stable operational performance and prudent cost management efforts have enabled us to reward our shareholders with first and final single-tier dividend of 2.0 sen per share (FYE 2020: 3.0 sen per share), which to be approved by shareholders at the forthcoming Annual General Meeting of the Company. This has, in turn, translating to a pay-out ratio of 41% of consolidated profits to shareholders on the back of persistent operational efficiencies and also supported by our strong cash generation capabilities.

We look forward to continuing to reward our loyal shareholders with an attractive dividend yield while also exercising financial prudence to enable us to reinvest into our business and it is always our intention to pay dividends to shareholders to allow our shareholders to participate in our profits.

CORPORATE SUSTAINABILITY STATEMENT

ABOUT THIS REPORT

FOCUS ON QUALITY

Our theme has been consistent as "Focus On Quality" which our efforts to continuously progress towards a sustainable future. With the ongoing material and technology advancements in the industry, we produce value-added and quality products as a key component to our services and sustainability progress.

We are pleased to present Wang Zheng's annual Environmental, Social and Governance ("ESG") Report. Our Sustainability Reporting ("SR") focuses on Wang-Zheng Berhad ("Wang-Zheng" or the "Company") sustainability practices in which we focus and highlight more on the ESG impacts of our activities and initiatives. This is our fourth year of reporting, which is in accordance with the GRI Standards for sustainability reporting, prioritising our focus on reviewing our material issues and mapping out our route forward to embed sustainability throughout our business operations.

We demonstrate our full commitment to integrating sustainability practices and preparing this statement pursuant to the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR"), Sustainability Reporting Guide issued by the Exchange and guided with guidelines issued by the Global Reporting Initiative (GRI).

SUSTAINABILITY GOVERNANCE

Whilst the Board is primarily responsible for the sustainability performance of the Group, it has delegated to the Audit Committee to oversee the risk management and internal control system, which includes the exposure of the Group to sustainability risk. The Group integrates sustainability into its risk management system, where sustainability is invariably a mooting point at the Audit Committee meetings when risk management matters are discussed and deliberated upon, especially when an update of the risk profile of the Group is undertaken.

The Audit Committee is assisted by the Managing Director in providing updates on matters related to risk and sustainability. The outcome of the Audit Committee meeting is then escalated to the Board by the Audit Committee Chairman for further deliberation.

The Managing Director, who is the main driver of sustainability measures and initiatives, is supported by his team of Senior Management personnel in implementing the strategies towards achieving a sustainable performance of the Group.

REPORTING STANDARDS

Our reporting approach is based on the framework and guidance provided by GRI. This report has been prepared in accordance with the "core" options of the GRI Standards.

The Sustainability Statement ("Statement") sets out what the Board of Directors ("Board") considers as material sustainability risks and opportunities, collectively known as Material Sustainability Matters, that impact the way the operations of the Company and its subsidiaries ("Group") are carried out as well as how such Material Sustainability Matters are managed. This Statement is prepared in accordance with Paragraph 29, Part A of Appendix 9C of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") as well as Practice Note 9 of the MMLR on the content of sustainability statements. In preparing this Statement, the Board has also considered the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits, issued by Bursa Securities. The contents of this Statement encompass the Group's key business operations, which comprise the manufacturing and trading of products. This Statement emphasises the Group's commitment towards ensuring that its business operations are carried out sustainably and responsibly, taking cognisance of the environmental, social and governance ("ESG") implications it is exposed to.

This includes adhering to the GRI Principles for defining report content:

REPORTING STANDARDS (CONT'D)

Stakeholder Inclusiveness	· Being responsive to stakeholders' expectations and interest
Sustainability Context	· Presenting performance in the wider sustainability context.
Materiality	· Focusing on issues where we can have the greatest impact and that are most important to our business stakeholders.
Completeness	· Including all information that is of significant environmental, social, governance impact to enable stakeholders to assess the Company's performance.

We value stakeholders' feedback on this report which can be channeled to https://wangzhengberhad.com/

We are advised by external assurance for the past four years for this sustainability reporting; we will continue to improve our data collection and management system.

REPORTING SCOPE AND BOUNDARIES

Wang-Zheng SR 2021 has been prepared in accordance with the GRI Standards. This SR covers the reporting period from 1 January 2021 to 31 December 2021. Our focus has been always reviewing our material sustainability agenda that covers environmental, social and governance. The content of this report is based on the material agenda that we have identified. Our scope and boundaries cover all our entities and operations in Malaysia.

ABOUT WANG-ZHENG

Vision	· To Provide Quality Products at Affordable Prices.
Mission	· To be Top-tier supplier of daily products in Malaysia and South East Asia through ongoing innovations and provision of premium products and services.
Our Core Values	· Wang-Zheng's Codes of Ethics for Directors and employees govern the standards of conduct and behaviour expected. Wang-Zheng's Board commits itself and its Directors to ethical, business like and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

WHO WE ARE

Wang-Zheng is principally an investment holding company. Our subsidiaries are principally involved in the manufacturing and processing of fibre-based products, which include disposable adult and baby diapers, sanitary protection and tissue products, cotton products and processed papers.

Wang-Zheng Corporation Sdn Bhd was incorporated on 14 December 1987 and began operation as a small trading company involved in Fast Moving Consumer Goods (FMCG). Today, the company has grown by leaps and bounds with a clear strategic direction, prudent management and excellent customer relationship.

The company has a sales force of more than 30 personnel to market and promote its products in Malaysia and South East Asia. Wang-Zheng Corporation trades mainly in disposable fibre-based products. Its product range includes disposable baby diapers, disposable adult diapers, cotton products, lady hygienic products, baby wipes, serviette and tissue-based items. Most of its products are sourced from its sister companies: Quality Hero Corporation Sdn Bhd and Carefeel Cotton Industries (M) Sdn Bhd.

The products are marketed under both its own brands and as Original Equipment Manufacturers (OEMs). Wang Zheng's own brands include DryPro, Carina, Carefeel, Cosmex, Kuali, P.Love, Banitore and Incontrol. DryPro is one of the major selling brands of its disposable baby diapers. This brand is well established with more than a decade of circulation among Malaysians. It is allied with quality, hygiene and value for money.

Apart from its own brands, Wang-Zheng Corporation Sdn Bhd also markets other established brands. All its products receive nationwide distribution through an extensive network of hypermarkets, supermarkets, mini markets, pharmaceutical and medical halls, departmental stores and personal care stores. Due to the largely generic nature of the products, access to final consumers and attractive pricing are crucial in maintaining market share as well as profitability.

Aside from offline stores, Wang-Zheng Corporation Sdn Bhd has established an e-commerce team to promote and sell its products on the online stores including P.Love Official Store, DryPro Official Store and Wang-Zheng Care Official Store through online shopping platforms such as Shopee, Lazada, Food Panda, Grab, PG Mall and Qoo10. In 2021, the P.Love adult diaper brand has been ranked among the Top 5 brands in the Malaysia e-commerce business environment.

Wang-Zheng Corporation Sdn Bhd has created a niche market position for itself with "Quality Products at Affordable Prices". Under the continuous supervision of its experienced and innovative management, the company is poised to scale even greater height in its quest to be the market leader in the trading of disposable fibre-based products through its superior yet attractively priced products.

OUR CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT

Seventeen (17) Sustainable Development Goals (SDGs) was set by the United Nations General Assembly in 2015 to counter major global issues such as urbanization, climate change, resource scarcity, demographic and social change and global economic condition by the year 2030 entails contributions from governments, civil society and businesses. All the countries and stakeholders, acting in collaboration, will strive to implement this plan. The 2030 Agenda for Sustainable Development shapes the journey and sustainable enhancement in Malaysia. Aligning to the aspiration of our government, we will enhance our strategies and efforts to adopt these goals progressively as part of our sustainability journey.

OUR CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT (CON'T)

Aligning ourselves to the aspirations of the Malaysian Government, we have adopted these goals as part of our sustainability journey. We identified six SDGs that the Group commits to support directly and/or indirectly as follows:

SDG ADOPTION

SDG Adoption	Goals	Management Action
	Ensure healthy lives and promote wellbeing for all at all ages.	We are committed to creating a safe workplace and promoting healthy living amongst our employees.
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	We provide training and retraining to our staff due to the nature of our business.
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	We aim to create a workplace that is conducive to productivity and growth by providing job opportunities and equipping our employees with various training and development programmes.
	Ensure sustainable consumption and production patterns.	Our aim is to produce environment-friendly products.
	Take urgent action to combat climate change and its impacts*	We have taken necessary actions to ensure that our climate change action is effective and impactful.

CORPORATE **SUSTAINABILITY STATEMENT**
(CONT'D)

OUR CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT (CON'T)

SDG Adoption	Goals	Management Action
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	We place ethics and integrity at the centre of our business operations and have policies in place towards embedding such values throughout our organisation.

OUR VALUE CHAIN

There are two (2) core businesses of Wang-Zheng which comprises of the following:

Core

- Processed Paper Products
- Disposable Fibre-Based Products

Processed Paper Products

We import, process and distribute various types of paper products. These activities are carried out by New Top Win Corporation Sdn Bhd and Modern Alpine Sdn Bhd.

Disposable Fibre – Based Products

We manufacture and distribute disposable fibre-based products, including disposable adult and baby diapers, sanitary napkins, tissue products, cotton jumbo rolls, facial cotton, cotton bud and other cotton-related products. These activities are carried out by Wang-Zheng Corporation Sdn Bhd, Quality Hero Corporation Sdn Bhd and Carefeel Cotton Industries (M) Sdn Bhd.

Location of Registered Office Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia.	Location of Corporate Office No.1 Jalan Utarid U5/19, Section U5, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia.

REVIEW OF OPERATIONS

The Group's review of operations is elaborated in the "Management Discussion and Analysis" section set out in this Annual Report.

OUR APPROACH TO DRIVING SUSTAINBILITY

Our approach to sustainability is based on our core values of excellence, united we achieve, integrity, humility and building relationship, supported by policies and procedures at the Group level. We consistently embed sustainability into the core of our business. The following value-added sustainability framework forms the basis of Wang-Zheng's steps to strengthen our approach to sustainability.

SUSTAINABILITY STRATEGY

1. As a Public Listed Company

- As a public listed company, we are pre-emptive of the sustainability matters mainly on the Economic value creation for the shareholder and stakeholder;
- We plan to elevate sustainability in company governance, through engaging in direct board oversight and accountability over environmental and social issues, more diversity and special expertise on boards and linking executive and other employee compensation to sustainability goals;
- We have regular dialogues with key company stakeholders on sustainability challenges, including employees, investors, suppliers and consumers;
- We are in the progress to have balance reporting on sustainability strategies, goals and accomplishments;
- We are in progress to develop systematic performance improvements to achieve environmental neutrality and other sustainability goals across the entire value chain, including operations, supply chains and products.

2. As a product provider

- We provide quality product to all of the clients as they are part of our valued stakeholders.

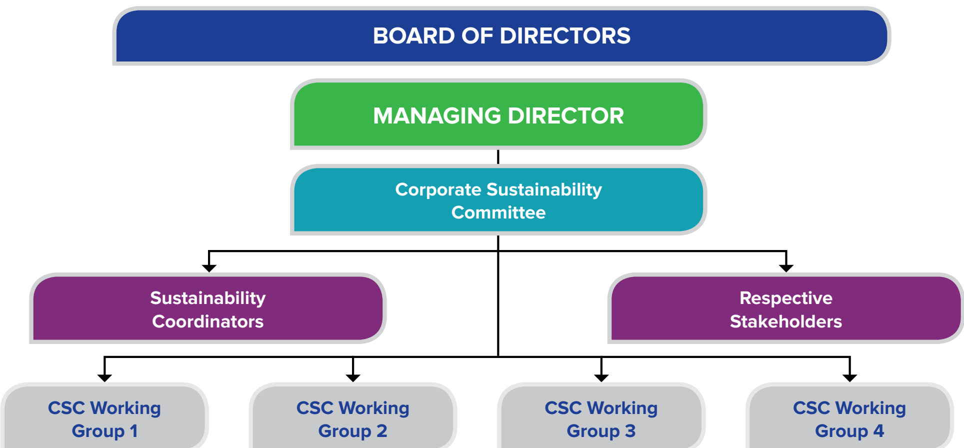
GOVERNANCE OF THE SUSTAINABILITY

Being a Public Listed Company, Wang-Zheng complies with the high standards of corporate governance (CG) practices and being closely monitored under the leadership of our Board of Directors, as guided by the Malaysian Code on Corporate Governance 4th Edition ("MCCG") 2021.

In line with sustainability, the Board has the ultimate responsibility to ensure that the sustainability efforts are embedded in the strategic direction of the company. We have established a Corporate Sustainability Committee (CSC), to oversee the formulation, implementation and effective management of our sustainability matters in line with the strategies. The CSC is also supported by various working groups responsible for implementing the initiatives within the organization. The Managing Director will provide the Board on regular update relating to all key ESG risks and opportunities (sustainability matters).

The governance of our sustainability agenda is a process that is important to the Company as it enables the business to effectively embed sustainability. Good governance structures also ensure that we are consistently aligned to our principles and standards. Demonstrating its commitment from the top, the Company's sustainability agenda is governed by CSC.

ORGANISATION STRUCTURE FOR SUSTAINABILITY



CORPORATE SUSTAINABILITY STATEMENT
(CONT'D)

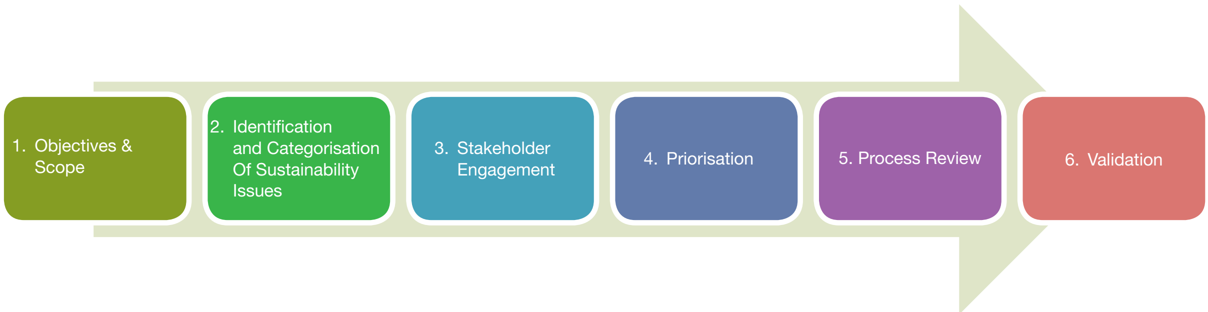
RESPONSIBILITIES OF CORPORATE SUSTAINABILITY COMMITTEE

- Advising the Board on the sustainable strategies;
- Monitoring the implementation of sustainability strategies as approved by the Board;
- Overseeing stakeholder engagement to ensure that all issues, grievances and suggestions raised are taken into consideration in managing sustainability matters;
- Recommending to the Board for its approval the identified material sustainability matters, sustainability-related policies and its goals and targets;
- Monitoring the implementation of policies and initiatives of sustainability management;
- Overseeing the management of sustainability matters by focusing on matters material to the Group; and
- Overseeing the preparation of the Sustainability Statement and recommending it for Board's approval.

STRATEGIES AND DIRECTIONS

Despite the challenging operating environment, Wang-Zheng continues to practice prudence and stay focused on delivering quality growth, while being watchful of emerging risks. The Group is fully committed to uphold responsible financing which is reflected through its prudent infrastructure transformation as well as sustainability in its supply chain.

OUR MATERIALITY ASSESSMENT PROCESS



1. OBJECTIVES & SCOPE

Wang-Zheng undertook a materiality study within the top management and middle management to determine the objectives and scope of the sustainability reporting. Our scope and boundaries covers all our entities and operations in Malaysia.

2. IDENTIFICATION OF RELEVANT SUSTAINABILITY MATTERS

The process initiated with sustainability issues relevant to Wang-Zheng Berhad and its stakeholders. In generating the list, the Group assesses the operating environment and emerging trends affecting our sector and conducted study across a broad range of references to identify the relevant sustainability issues.

Moving forward in 2022, we have several plans to review our material factors and sustainability matters in order to ensure that our understanding of both the current and future risks and opportunities facing our markets is adequately addressed, as well as to gather stakeholder perspectives and ensure we are responding to their needs. As we update our material factors, we will continue to evolve our management approach to ensure that we are addressing them in a holistic and integrated manner. This may involve developing new policies and procedures, implementing various initiatives, measures and action plans, setting indicators as well as to establish a proper mechanism to capture, analyse and report sustainability data and information.

OUR MATERIALITY ASSESSMENT PROCESS (CONT'D)

Our Material Factors

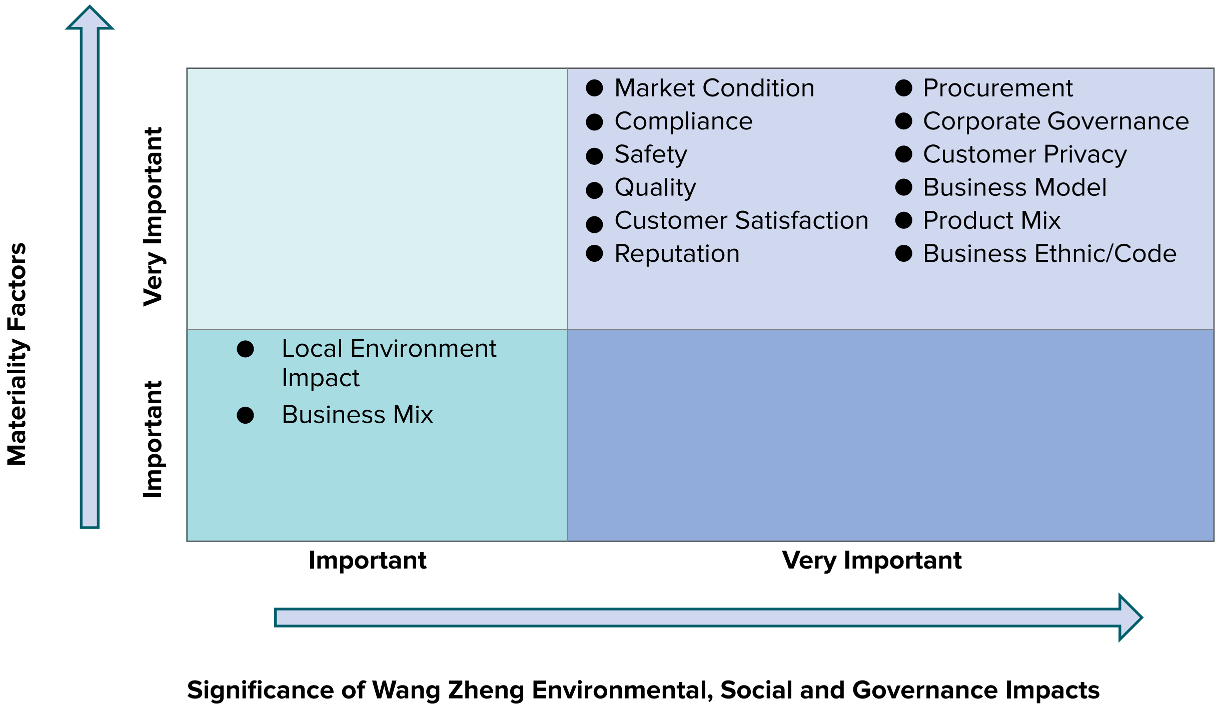
As we monitor, manage and report on a wide variety of issues, key to our approach is focusing our resources on material sustainability risks and opportunities that are associated with each material factor. Understanding our key priorities allows us to set our time, resources and investment to the best use.

Combining the views from stakeholders and the Wang-Zheng's Management from the preliminary materiality process, the materiality table has been derived to show the different levels of importance of the sustainability matters.

In an effort to navigate the Group towards sustainable business growth and success, we have carried out an assessment of the material sustainability matters which are most significant to the Group as well as to our various stakeholders. This material matters assessment enables us to identify, assess and prioritise the risks and opportunities arising from the ESG context, so as to take advantage on any potential opportunities in this ever-change business environment.

MATERIALITY MATRIX

Materiality assessment is an important tool to identify the most relevant ESG priorities that are consistent with our business strategy. We identified, assessed and prioritised 14 material sustainability initiatives mode involving the sustainability working committee. The key areas that matter the most to the Group and our various stakeholders, scaling from "Important" to "Very Important" respectively is shown in the following Material Matters Matrix. The output of the assessment was plotted on a matrix that illustrates the impact of each material factor on the Company's business as well as the stakeholders. For the current year we have maintained the same materiality matrix as it remains relevant to the Company's operations.



MATERIALITY MATRIX (CONT'D)

A. Business - Key Materiality

The materiality factors are based on the priority of the organisation.

Key Materiality Wang Zheng Berhad

Business - Key Materiality

Material Factors	Description	What Are The Risk	What Are The Opportunities	Initiative
Competition	Wang-Zheng is exposed to competition within the industry	Lesser chance to secure contracts will impact the Company's business and performance	• Innovative products and eco-friendly system could be offered to the clients as to improve on our core value • Regional partnerships and collaborations • To continuously enhance the product quality	- Based on market demand to import products from holding company in China. - Control the product quality by purchase planning and production quality checking.
Market Stability	A well - facilitated business, supported together with an effective and balanced regulatory framework that provides adequate levels of client's protection while facilitating business efficiency and innovation, is imperative for the continued growth and development of our business.	Any event – such as breaches in regulation, lack of effective corporate governance (CG) practices – that undermines integrity or stability will influence stakeholder confidence and possibly participation, in the market	• Having a robust approach to ensure the integrity and stability of the market serves to engender trust and confidence, which in turn encourages participation and growth • Fostering a strong CG and sustainability culture will also drive long-term value, both in the market and within Bursa Malaysia	Always ensure the compliance of CG by obtaining the updated information and practice in work.

MATERIALITY MATRIX (CONT'D)

B. Material Factors - ESG - Significance (Environment- E, Social- S, Governance- G)

Significance - Material Factors

		Factors	Why Material	Managing Materiality	Frequency	Initiative
MATERIALITY	Very Important	Market Condition (G)	Market condition affects all businesses in every industry.	Our business segment very much depends on the market condition where we conduct market study prior engaging in any projects. We also review the market reactions to mitigate into different products and services.	Weekly Quarterly	Marketing team will keep in touch with the customers and obtain the information in order to understand the market demand. Management will review the market condition pertaining to the changes. Key Senior Management meet regularly to discuss and come out with an action plan.
		Compliance (E, G)	Compliance with laws and regulations is one of our main requirements.	We provide adequate training and resources to ensure we meet compliance obligations.	Yearly	Staff will attend the workshop and training to get the updated laws & regulations. e.g., Training on SST on 19 Oct 2021 Sharing of the updated information among the colleagues e.g., Government announcement during MCO
		Safety (E, S)	Impact on safety of workforce to avoid workplace injuries and manage the product safety.	We support the ongoing training of operational teams to ensure understanding in recognising and improving as well as maintaining safe working conditions.	Regularly	By providing fire safety training and fire drill session. Keep the working environment safe with the inspected fire extinguisher, sprinkler system, fire rescue water pump by the fire protection service provider.

CORPORATE **SUSTAINABILITY STATEMENT**
(CONT'D)

MATERIALITY MATRIX (CONT'D)

B. Material Factors - ESG - Significance (Environment- E, Social- S, Governance- G)

Significance - Material Factors (Cont'd)

		Factors	Why Material	Managing Materiality	Frequency	Initiative
MATERIALITY	Very Important	Quality (E,S,G)	It is part of our core business value to satisfy all of our customers.	By obtaining prompt stakeholder feedback to gauge our quality. There is also customers audit done by our customers.	Continuously Yearly	Product quality control will be improved based on the customers' requirements.
		Customer Satisfaction (E, S, G)	It is important for us to benchmark ourselves and to collaborate closely with customers to achieve mutual success.	We conduct customer satisfaction surveys to obtain customer's feedbacks to stay relevant in the industry.	Continuously	Marketing team will receive feedback from customers virtually.
		Reputation (E,S,G)	To get a more realistic picture of how the business is actually being perceived by others.	We take initiatives to enhance our reputation by providing balance reporting.	Continuously	We participate in CSR program to help the vulnerable groups and care about the society.
		Procurement (E,G)	It ensures the stable, Sustainable procurement and supply of resources.	We are always on the lookout for best quality and economical pricing in-order to be competitive.	Continuously	Procurement team are responsible to ensure the purchased raw material / imported products are in the best quality with affordable price.
		Corporate Governance (E,S,G)	To ensure that the company protects the members, officers and management.	Governance is conducted according to various regulations and sub committees. The board and management oversee the governance on a daily basis and it is reflected on quarterly reporting to regulators and stakeholders.	Regularly	Compliance with the updated rules and regulation such as MCCG 2021, MFRS, Finance Bill, etc.

MATERIALITY MATRIX (CONT'D)

B. Material Factors - ESG - Significance (Environment- E, Social- S, Governance- G)

Significance - Material Factors (Cont'd)

		Factors	Why Material	Managing Materiality	Frequency	Initiative
MATERIALITY	Very Important	Customer Privacy (E,S,G)	It is important to build customer trust and loyalty.	We take necessary measures to protect the customer's privacy by having our staff trained on this matter.	Continuously	Compliance of Personal Data Protection Act (PDPDA) with the policy to keep customers' information in private and confidential.
MATERIALITY	Very Important	Business Model (G)	Business model plays a vital role in challenging market condition of the market and business	We engaged high level review on the business model with the management.	Continuously	Expanding the new marketing channel to improve products exposure.
MATERIALITY	Very Important	Product Mix (G)	To have a variety of products that will fit each customer's needs.	In order to be highly competitive we take the initiatives to create varieties of segments.	Continuously	New products will be imported from holding company from China to satisfy customers' need.
MATERIALITY	Very Important	Business Ethics/Code (E,S,G)	Maintaining business ethics is our core values.	We proactively promote and positively reinforce good behaviours to the employees.	Continuously	Having own Code of Ethics Policy.
MATERIALITY	Very Important	Local Environment Impact (E)	It safeguards the environment impact.	We monitor and review the environmental compliance strategy and performance.	Continuously	Prevent the environmental pollution by renovate the site area
MATERIALITY	Very Important	Business Mix (G)	Diversification is part of our business model to stay sustainable.	We are always on the lookout for potential business synergy which creates a better value to our core business.	Ad-Hoc	NIL

CORPORATE SUSTAINABILITY STATEMENT
(CONT'D)

MATERIALITY MATRIX (CONT'D)

B. Material Factors - ESG - Significance (Environment- E, Social- S, Governance- G)

Significance - Material Factors (Cont'd)

The materiality process involved several steps including:

- Identification of potential material topics by reviewing GRI aspects, benchmarking against key corporate peers and analysing past reports, which reflects the feedback from customers, community representatives and employees generally.
- Inventory of aspects and topics most important to external stakeholders, customers and their supply chain vendors, based upon requests, surveys and ongoing engagement during the reporting period.

3. OUR STAKEHOLDERS ENGAGEMENT

Our interaction involves a large number of different stakeholder groups and this kind of engagement is important to ensure we can identify, prioritise and address material matters and be adopted in our business strategies. The business and functional units are empowered to interact with their respective stakeholders on their chosen platforms. All issues raised by stakeholders are brought to the attention of the Management Committee or Management Meetings by the respective business and functional units. Ongoing engagements where applicable, are carried out on a regular basis as they are integral to our business development, relationships with stakeholders and commitment to sustainability.

Our key stakeholders are outlined in the below table, along with the forms of engagement and key topics of interest that we seek to address.

Stake Holder Group	Engagement Approach	Engagement Focus & Objectives	Frequency/ Review	Initiative
Customers	1. Handling customer inquiries 2. Attended & respond to customer email 3. To ensure customer complaints are attended. 4. To monitor customer satisfaction survey 5. Customer satisfaction and complaint survey 6. Customer service and hotline centres 7. Online portals 8. Website, digital and social media 9. On-ground engagement and events 10. Attracting new customers 11. Cost optimization	• To improve better on responding all incoming email's by providing with better and more accurate reply. • We will keep improved on responding customer email's and reply at the earliest. • To provide effective corrective action towards the customer complaints. • To ensure delivery on time to meet customer target date. • Reduce customer complaints on quality matter. • Customer Feedback review. • Price strategy • Client Satisfaction Survey • Progress meeting, updates and progress reports • Consultation meetings • One-to-one engagement • Assortment and pricing strategy	Immediately Yearly Ad hoc basis	- Actively respond to customers' feedback review (verbally) - Progress meeting internally to improve the products quality / customers' requirement - Review and update the pricing time to time to remain competitive in market - Understand customer' satisfaction verbally by salesman

MATERIALITY MATRIX (CONT'D)

3. OUR STAKEHOLDERS ENGAGEMENT (CONT'D)

Stake Holder Group	Engagement Approach	Engagement Focus & Objectives	Frequency/ Review	Initiative
Employee	1. Employee's appraisal 2. Other employee engagement activities 3. Productivity 4. Set targets/ KPI review 5. Other employee engagement activities (such as annual dinner) 6. Employee's induction programs and appraisal	• Career progression, employee development needs • Annual dinner for all production staff • Performance evaluation and management • Safety at workplace • Training and attachment programs • Performance evaluation and management for sales • Staff remuneration and benefits • Employee well –being • Operational performance and issues Welfare and benefits	Yearly Half yearly Ad hoc basis	- Provide training to enhance staff competency E.g. Finance team participated in EMG public workshops (on 9 & 16 &23 Nov 2021) - Ensure safety at workplace by providing fire safety training and fire drill session - Provide face mask to employees - Provide a clean and healthy accommodation environment to factory workers - Care of employees' health by sanitized office area frequently, provide RTK antigen and swab test for staff
Suppliers	1. Code of Ethics 2. Request for Proposal 3. Supplier Evaluations and selection 4. Timely payment 5. Specific knowledge and skills	• Code of conduct and business ethics. • Compliance of business conduct • Regular engagement with suppliers and subcontractors to understand their needs • Contractor's discussion. • Sound payment practices and vendor performance • Supplier assessment review • Supply chain management • Strategic partnerships	Monthly Regularly	- Having discussion with suppliers monthly to meet the delivery time and the requirements - Assess quality service provided by the suppliers, comprises continuity supply of materials and the quality of material

MATERIALITY MATRIX (CONT'D)

3. OUR STAKEHOLDERS ENGAGEMENT (CONT'D)

Stake Holder Group	Engagement Approach	Engagement Focus & Objectives	Frequency/ Review	Initiative
Regulators and Government Authorities	1. Compliance with local authorities 2. Policies 3. Regulatory compliance training 4. Authorization and license to operate 5. Meetings and briefings 6. Site visits 7. Creating strategic innovation	• Comply with all the requirements • Interpretation of laws/ legislations/guidelines • Continuous engagement through formal and informal events • Corporate Integrity Pledge • Special industrial tariffs	Regularly Yearly	- Provide staff training to obtain the updated rules and regulation. E.g: Attendance of Webinar – SST on 19 Oct 2021 - Having WhatsApp group discussion to share the updated information
Community	1. Sponsorship and donations 2. Outreach programs 3. CSR programs 4. Community development program	• Specific request • Sponsorship and donations • Social requirements and specific feedback on program • Community investment, development and impact • Awareness and understanding of social and environmental responsibility and impacts	Regularly	- Involved in donation program for covid-19 by donating the hygiene consumable products of the Group such as adult pull-up pants, surgical mask and super mini wet wipe to MOH, hospitals and non-profit organization during the Pandemic COVID-19 - Renovate the factory area to prevent pollution (such as install water treatment)
Media	1. Immediate notification of financial releases and material developments 2. Creating strategic innovation 3. Collaboration activities	• New developments and updates for public knowledge and awareness • Press release and media Coverage • Continuous and meaningful communications • Events • Advertising engagement	Ad hoc basis	- News and Publication on the donation for Covid-19 with the title of "We Care, Unite and Fight Against Pandemic" - Representative attended Majlis Sumbangan Korporat Keluarga Malaysia on 24 September 2021 in related to the donations for Covid-19

MATERIALITY MATRIX (CONT'D)

3. OUR STAKEHOLDERS ENGAGEMENT (CONT'D)

Stake Holder Group	Engagement Approach	Engagement Focus & Objectives	Frequency/ Review	Initiative
Shareholders	1. Financial Results announcements 2. Corporate website 3. Annual General Meeting 4. Financial results and annual report 5. Prudence risk management 6. Effective communication of business strategies 7. Timely and transparent reporting 8. Market and business performance outlook and strategies 9. Analyst briefing 10. Media releases	• Proactively engage with the investment community through multiple channels such as: - Statutory Announcements - Annual General Meetings - Corporate Events - Website - Conferences • Sustainable and responsible Investing • Expansion plans • Prospect and strategies • Business risk • Compliance, integrity and ethical business conduct.	Regularly	- Announce quarterly financial result in Bursa Malaysia - Publication Notice of AGM on local news paper - Hold AGM of shareholders annually - Maintain timely and transparent reporting to meet the due date
General public	1. Responsible Corporate Governance	• Company Website	Regularly	- Maintain the company website at https://www.wangzhengberhad.com/

4. PRIORITIZATION OF SUSTAINABILITY PROCESS

Wang-Zheng has undertaken a stakeholder prioritization and engagement process to engage with its stakeholders. These include on-going efforts to engage with stakeholders in the usual course of business through the day-to-day operations, as well as specific engagements carried out to seek stakeholders' feedback. The outcome of these engagements was considered in the course of the Group's materiality assessment.

As part of the process in conducting the materiality assessment of sustainability matters, the Group has conducted the specific engagement process as follows:

- To determine the key stakeholders with whom the Group should engage, the Group carried out assessments to identify key stakeholders based on each stakeholder's influence and dependence on the Group.
- To gain an insight into these key stakeholders' concerns, interests and expectations, the Group conducted discussions including on-going sessions throughout the year to gauge stakeholders' concerns pertaining to the list of sustainability matters identified.
- Where applicable, Wang-Zheng also took into account feedbacks from other stakeholder groups, gathered through various channels and through the ongoing engagements during the course of conducting its business operation.

MATERIALITY MATRIX (CONT'D)

5. PROCESS REVIEW

The materiality process is undertaken as a key component of the Wang-Zheng journey towards identifying the material sustainability matters. The senior management committee has reviewed and approved the processes and outcome of the materiality process including the Group's materiality which guides the Group in addressing and managing its material sustainability matters in its business operations.

KEYS OF SUSTAINABILITY

This section aims to provide insights on the Group's sustainability commitments and practices across the three key areas of environmental, social and governance undertaken by our key business divisions.

ENVIRONMENTAL

Care for Mother Nature

Environment to the broader ESG. The focus on environmental factors, particularly climate change resilience and adaptation, energy and carbon intensities, was the spearhead for ESG.

In line with our Sustainability Statement, we strive to maintain full compliance with all relevant environmental, legal and other legislative requirements in fulfilling the customer's expectations and satisfaction. We are aware of the environmental impacts of our activities on the planet and thus we take responsibility for managing our environmental impacts seriously. Wang-Zheng will continue to develop effective environmental initiatives to protect the environment. Being a responsible corporation, we acknowledge our responsibility to protect Mother Nature and the environment. We believe in "small actions, big difference" and hence, our environmental protection starts from our workplace.

A. ELECTRICAL AND WATER MANAGEMENT & CONSUMPTION

As a company with sustainable commitment, we understand that energy management is essential for combating climate change and for lowering an organisation's overall environmental footprint. Our electricity supply is from the local supply and we aim to minimize the energy usage in our head office by implementing the following efforts:

- A lighting schedule across key areas in our head office to switch off lights during certain hours of less use;
- Maintenance and replacement of electrical equipment and light fittings to maximize energy efficiency;
- Campaign to remind all staff to switch off the lighting, water dispenser, air conditioning; or
- To switch-off other electrical appliances in the office and pantry when they are not required.

We promote water-saving practices among employees and adopt water-efficient technologies and equipment wherever possible. The water consumed at our head office is obtained from the municipal water supply. We have taken small steps to control the water usage be in line with the sustainability efforts, namely:

- Slow the flow. Adjusting water pressure/outflow for toilets, washbasins, pantry, throughout our head office building.
- Seek the leak. Conducting checks and fixing leaks immediately, where possible.

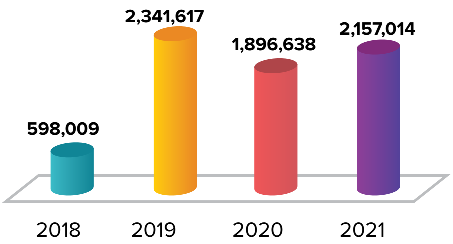
Water consumption has amplified in the year 2021 due to a surge in business activities compared to the preceding years.

The Electricity usage below is presented for the Head Office and Plants. The data presented below are representative of our attempt to consolidate the water and electricity consumption statistics.

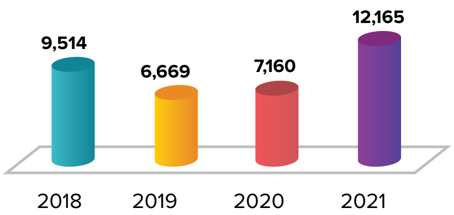
ENVIRONMENTAL (CONT'D)

A. ELECTRICAL AND WATER MANAGEMENT & CONSUMPTION (CONT'D)

Electricity Consumption (kwh)



Water Consumption



B. WASTE MANAGEMENT

Wang-Zheng acknowledges that the environmental impact of paper usage is significant. The Group's approach to waste management is to avoid unnecessary paper consumption and waste generation, where possible and appropriate, in order to reduce wastage. Wang-Zheng has always looked at ways to reduce paper usage so that, there is less waste. Generally, the group practices the following 3R (Reduce, Reuse and Recycle) on the paper management:

Reducing Paper	• By encouraging avoiding printing, photocopying and emphasising on paperless and electronic mode.
Reusing	• By printing on the other side of the printed papers.
Recycle	• Recycle the papers by having proper recycling bins, plastic and carton that are recyclable are collected at every end of production and send out for recycling.

C. STORAGE AND COLLECTION OF RECYCLABLES

Wang-Zheng also has come out with an initiative for the storage and collection of wastages and recyclables in order to promote the development of a recycling-based society. This initiative objective includes:

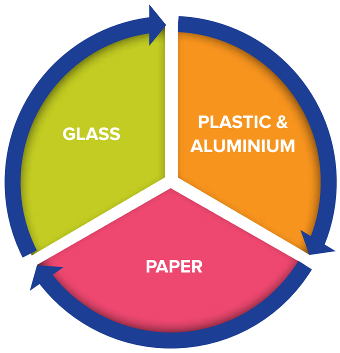
- To provide dedicated area and storage for a collection of non-hazardous material for recycling;
- To facilitate the reduction of scheduled waste generated that is hauled and disposed to licensed disposal companies; and
- To designate a dedicated area where on-site sorted waste materials can be stored in separate skids for collection facilities.

CORPORATE **SUSTAINABILITY STATEMENT**
(CONT'D)

ENVIRONMENTAL (CONT'D)

C. STORAGE AND COLLECTION OF RECYCLABLES

The table below shows the types of items recycled/ reused/disposed on site.



ENVIRONMENTAL NON-COMPLIANCE

The Group has complied with the regulatory standards and guidelines in place through its adherence and actions towards cultivating its sustainability initiatives regarding its material matters.

SOCIAL

The Company is committed to promoting social responsibilities as an integral part of the Group whilst pursuing business growth to enhance shareholders and stakeholder value. Management recognises that for long-term sustainability, its strategic orientation will need to cater beyond the financial parameters.

A strong commitment to social responsibility programs can protect and enhance a company's brand. As the word gets out about a company's good works, it can help create a positive working environment and attract desirable employees with a strong commitment to corporate social responsibility programs.

The Group manages to organise several activities to sustain its corporate responsibilities to the environment, employees and community. Among the main programmes initiated were Quality, Health, Safety and Recreational activities and welfare events.

COVID-19 Test and Vaccination Event

OUR APPROACH

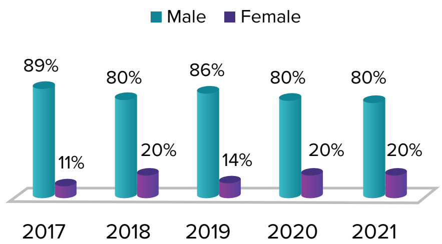
Our initiatives in the community are centred on:
1. Workplace
2. Community;
3. Safe Workplace Practices;
4. Leadership & Commitment; and
5. Marketplace

1. WORKPLACE

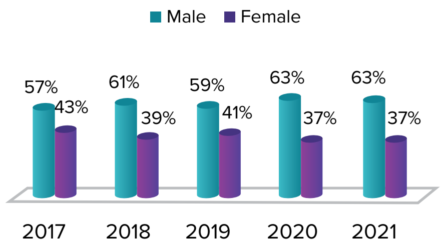
The Group values its human capital and will continuously improve and provide our employees with the necessary knowledge and skills, opportunities for personal growth and work life balance. The Group adheres to the Malaysia's Employment & Labour laws with regard to the terms and conditions of employment for all its employees. The Group recognises the value of workforce diversity and inclusiveness and as such, there is no discrimination against employees or applicants in terms of gender, age and ethnicity.

- **EMPLOYMENT DIVERSITY IN WANG-ZHENG**

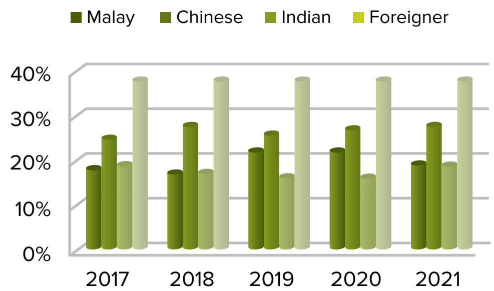
Gender Diversity of Top Management



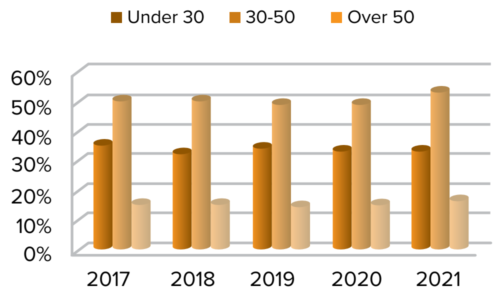
Gender Diversity of Total Employees



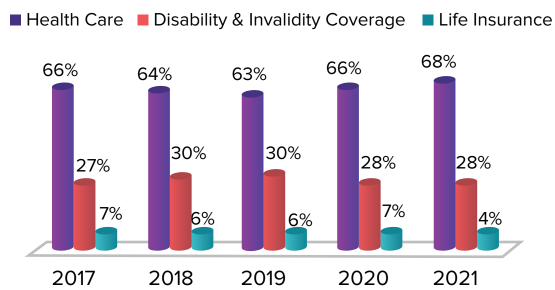
Employees Diversity by Ethnicity



Employees Age Group



Benefit Provided top Full-Time Employees



CORPORATE **SUSTAINABILITY STATEMENT**
(CONT'D)

OUR APPROACH (CONT'D)

1. WORKPLACE (CONT'D)

- **EDUCATION AND INDIVIDUAL DEVELOPMENT**

  Wang-Zheng is committed to providing a safe work environment and ensuring team members are properly trained in all aspects of their work.

  The Group also ensures there are growth, development and progression opportunities for the employees through in-house training, seminar, workshops and talks. This will equip them with the latest job-related updates and learning. The Group strives to bring out the best of its employees by providing growth and progression opportunities for employees through comprehensive trainings, health and safety programmes.

2. COMMUNITY

Constantly Wang-Zheng is dedicated to support the community by reaching out to the community around us. During the financial year, the Group had made monetary donation to various organizations i.e. charities, sports activities and religious establishments. These contributions were in line with the Group's commitment to support and keep abreast with society's evolving needs.

As an organisation with its business deeply rooted in the community that it serves, Wang-Zheng has been consistently aware of its social obligations to the community and remains fully committed to this cause. Wang-Zheng feels privileged to have been able to support communities in need and make a difference in their lives. During the year under the review, the Group has initiated several activities through contributions and donations to numerous worthy causes and organisation such as schools, non-governmental organisations for cultural and welfare activities and various associations.

Donation to school

Donation to Ministry of Health Malaysia. Health Minister YB Khairy Jamaluddin received our donation

WE CARE, UNITE & FIGHT AGAINST PANDEMIC
Donation of Anti-Epidemic Materials

WE CARE, UNITE & FIGHT AGAINST PANDEMIC
Donation of Anti-Epidemic Materials

CSR Program: Donation to hospitals

OUR APPROACH (CONT'D)

2. COMMUNITY (CON'T)

During Covid-19, the Group carried out a CSR program to donate its own products P. Love Adult Pull-Up Pants, Hearttex Carina Supermini wipe and surgical mask to schools, orphans centre, old folks' homes, hospitals and the Ministry of Health Malaysia. Details of the below hospitals are donated with the Group's products.

1. Sungai Buloh Hospital, Selangor;
2. Selayang Hospital, Selangor;
3. Hospital Tengku Ampuan Rahman Klang, Selangor;
4. Hospital Ampang, Selangor;
5. Hospital Kuala Lumpur;
6. Hospital Serdang, Selangor; and
7. Institute Jantung Negara, Kuala Lumpur.

3. SAFE WORKPLACE PRACTICES

As a responsible corporation, we respect the interests of our stakeholders, our shareholders, employees, customers, suppliers, teaming partners and the wider community and we actively seek out opportunities both to improve the environment and to contribute to the well-being of the communities in which we do business.

We are committed to delivering quality products, as we look to the future, we will continue to work with our customers to make sustainability a vital part of the solutions we deliver for our customers.

The Group will continue to identify and undertake more related events to fulfil its Social Responsibility in any way and would contribute to preserving the values of the Society.

4. LEADERSHIP & COMMITMENT

Top management ensures that the requirements of the management system, including the policies and objectives, are consistent with the strategic context and the direction of our organisation and that the policies and objectives are established whilst ensuring that the human and financial resources needed for implementing the Management System are available.

5. MARKETPLACE

The Group is continuously committed to promote and maintain transparency, accountability and ethics in the conduct of its business and operations with the stakeholders, including our Government and Authorities, Shareholders and Investors, Customers, Suppliers, Employees and Communities. This includes the implementation of internal control systems such as a financial authority framework and risk management framework. Coupled with this, the Company's Audit Committee and Risk Management Committee periodically review these internal control systems together with recommendations from Internal and External Auditors. The Group aims to develop and evolve good relationships, trust, mutual respect, understanding with our stakeholders who have an effect on, or is affected by our businesses.

The Group has introduced various channels to engage with our stakeholders to understand and respond to their expectations and interests with regard to our services and operations. The Group's main suppliers consist of paper manufacturers and raw material suppliers, consumables. The Group works closely with the suppliers to create a high-quality, reliable supply chain that meets our high ethical standards. The Group has had regular engagement sessions with suppliers to identify areas and methods for improvement and to resolve issues.

CORPORATE **SUSTAINABILITY STATEMENT**
(CONT'D)

GOVERNANCE

COMPLIANCE

As part of effective board leadership and oversight the integration of sustainability considerations in corporate strategy, governance and decision-making, sustainability and its underlying environmental, social as well as governance (ESG) issues are discussed during the management and board meetings that are material to the ability of the company to create durable and sustainable value and maintain the confidence of their stakeholders. To be resilient, the boards take a much more holistic view of the business coupled with proactive and effective measures to anticipate and address material ESG risks and opportunities.

We are moving towards a long-term strategy and a clear plan on sustainability including supporting the global transition that will distinguish itself by building the confidence of its stakeholders, i.e., consumers, investors, policymakers and regulators. We are alert for the company to adapt to shifts and changes faced in the global landscape.

The company addresses its sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets. The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management. The Strategic management of material sustainability matters is discussed and implemented at the senior management level.

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders. Hence the board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

The board has a designated person within management, to provide a dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

The board and management continuously engage and consider the views of its internal and external stakeholders to better understand and manage the company's sustainability risks and opportunities. We recognised the sustainability issues as a material issue to the decision-making considerations of a company's stakeholders. We continuously consider the institutional investor's consideration in the integration of ESG factors in their investment decision-making process as part of the fiduciary responsibility and have committed to holding boards and senior management accountable for the management and oversight of sustainability.

Stakeholder expectations are heightening across various sustainability issues such as health and safety, data governance and privacy as well as climate action. We are in the process to evaluate the operations process and setting science-based emissions reductions to target to support cleaner and sustainable growth.

The company's sustainability strategies, priorities as well as targets and performance against these targets are communicated to the internal and external stakeholders of the company. Employee awareness and understanding of the company's approach to sustainability (what we do and why we do it) on sustainability issues and support actions on sustainability across the company are communicated.

External stakeholders are also informed through appropriate means such as engagements and company disclosures. In preparing the latter, the board and senior management consider, among others, the information which stakeholders require to assess the company's sustainability risks and opportunities and ensure the information is disclosed, focusing on substance and not merely form. We are partially moving forward to set the company's targets and actions that the company has or will take to address any gaps.

GOVERNANCE (CONT'D)

COMPLIANCE (CONT'D)

The board has sufficient understanding and knowledge of sustainability issues that are relevant to the Company and its business, to discharge its role effectively. As a proactive measure, the board has taken capacity and competency benchmark on its ability to tackle questions and deliberate on sustainability, as well as evaluate the sustainability risks and opportunities and make informed decisions on the matter. To ensure that the board is equipped and ready to execute its role, the board identifies its professional development needs concerning sustainability and ensures these are addressed. The board also considers whether a change in its composition or of its skills matrix is required to strengthen board leadership and oversight of sustainability issues.

As addressing material sustainability risks and opportunities is the responsibility of the board and senior management, the performance evaluation of the board and senior management will consider how well the board and senior management have performed their respective roles. This may include, where applicable, progress against the achievement of sustainability targets. The performance evaluations are conducted to promote accountability and identify issues that may require intervention by the board and/or senior management. Outcomes from the evaluations and next steps should also be shared with the company's shareholders.

The economic scenario remains as our core element based on the market condition of the global influence. The company has taken a great level of measures to identify the critical risk which influences the strategy of the company. By taking indispensable steps with the senior management and the board, we foresee mitigating the risk elements. We also conduct periodic monthly and ad-hoc meetings with the head of departments on the business aspects to cater to the market needs.

Our commitment to the business is focused on strong corporate governance and prudent management in view of challenging internal and external environment. We strive to achieve this by enforcing the following aspects:

Details of the below practices are elaborated in our website.

- BOARD CHARTER
- BOARD DIVERSITY POLICY
- POLICIES & PROCEDURE OF ANTI CORRUPTION BRIBERY (PPACB)
- REMUNERATION POLICY
- WHISTLE BLOWING POLICY
- PERSONAL DATA PROTECTION ACT - POLICY
- CODE OF ETHICS AND CONDUCT
- AUDIT COMMITTEE - TERMS OF REFERENCE
- NOMINATION COMMITTEE - TERMS OF REFERENCE
- REMUNERATION COMMITTEE - TERMS OF REFERENCE

Other policies and practices are as below:

A. SUSTAINABILITY POLICY (SP)

The Board of Directors of Wang-Zheng believes that introducing SP considerations in its business decisions is an essential foundation to achieve long-term business success besides creating value for all its stakeholders, as well as a strategic approach to support and empower communities, encourage social inclusivity and improve the environment. The balancing of SP with the interest of stakeholders is essential to enhancing investor perception and public trust that works towards value enhancement for stakeholders in the long run. Wang-Zheng also believes that as a responsible corporate citizen, one would have an obligation in making the earth a better place to live in through responsible investing, besides weighing on an appropriate risk-return profile for its investments.

GOVERNANCE (CONT'D)

COMPLIANCE (CONT'D)

A. SUSTAINABILITY POLICY (SP) (CONT'D)

With this, Wang-Zheng incorporated its principles of sustainability in its SP. Wang-Zheng's commitment towards environmental, social and corporate governance issues is strong and hands-on and is also an important step towards a more sustainable society in the long run. Wang-Zheng's environmental and social policy takes serious account of the impact of its operations on the local community and seeks to ensure that potentially harmful occupational health and safety, environmental and social effects are properly assessed, addressed and monitored. Wang-Zheng's corporate governance policy focuses on compliance policy, the standing and integrity of Wang-Zheng's investee companies, their shareholders, board of directors and also their employees. In this dynamic business world, these SP and practices will be reviewed from time to time so as to ensure their relevance. Wang-Zheng's objective is to ensure all business conducts adhere to SP that serves as an ethical foundation to achieve long-term business success for Wang-Zheng.

B. OUR SUPPLY CHAIN

Sustainability in the supply chain has been increasingly recognised as an important aspect of corporate responsibility. In making responsible sourcing decisions, Wang-Zheng has started to explore putting in place an appropriate approach to consider suppliers' environmental, social and governance ("ESG") credentials in the life cycle of the supply chain.

In the emplacement of new suppliers, the Group has begun to incorporate sustainability-related criteria in assessing the suppliers' business practices such as workplace relations and occupational health and safety. For existing vendors and suppliers, the Group is in the process of sending out surveys to selected suppliers for them to share and affirm their commitment towards ESG.

Wang-Zheng is cognizant that there is still much to improve on managing sustainability in the supply chain and will continue to collaborate with its suppliers and vendors to work towards enhanced sustainability practices with respect to ESG matters.

C. COMMITMENT TO QUALITY

Wang-Zheng has the policies, procedures and best practices in place to deliver products and services of outstanding quality. Furthermore, regular reviews, process improvements and quality control assessments are ensuring that our processes remain in compliance and are continually enhanced.

D. CUSTOMER SATISFACTION

Customer satisfaction and engagement were identified as some of the most important material issues in the marketplace dimension across all our divisions. Knowing exactly what customers expect from us improves our bottom line and strengthens our brands and reputation in the long term. We conduct half-yearly customer satisfaction surveys. The feedback generated provides insights into customer expectations that enable us to develop and deliver better products and services.

The Group is unwavering in meeting its standards of excellence by ensuring the delivery of quality in project execution and meeting all customer deliverables as detailed in our contracts. We aspire towards the full realization of ISO standards (ISO 9001 and ISO14001) throughout our operations and the application of established quality practices and policies. The Group is committed to improving compliance with product requirements and the effectiveness of its Quality Management System on a continuing basis.

The Group Procurement Department ensures diversification of the supply chain to mitigate the risk of disruption to our operations. The Group's operations maintain at least one primary and one secondary supplier for raw material, consumables and spare parts, wherever possible.

The Company attained ISO 14001: 2004 (Environmental Management System) and successfully migrated to the 2015 version. This certification demonstrates that the Company has effective measures in place to improve resource efficiency, reduce waste and drive down operating costs.

GOVERNANCE (CONT'D)

COMPLIANCE (CONT'D)

E. BUSINESS CONDUCT

We strive to be environmentally responsible and encourage all our stakeholders to do the same. Consequently, they need to use sustainable materials whenever they are cost-effective.

F. SAFETY AND HEALTH

It is one of our key priorities to maintain a safe and healthy work environment for our workforce. Our Safety and Health Policy goes beyond the requirements of the Occupational Safety and Health Act 1994 to ensure that our talent works under safe conditions. Our operations are governed by an internally established occupational safety, health and environmental management system, which is compliant with the international standards of ISO14001. We also believe in providing a comfortable and conducive working environment for our employees.

G. PROCUREMENT PRACTICE

Suppliers and sub-contractors are selected through selection and bidding processes. Wang-Zheng has formalised procurement operating procedures to support the procurement process in the Group emphasising on satisfactory quality of products and services with competitive pricing. The selection of subcontractors and suppliers is based on an appropriate synergy of technical, financial, pricing and quality of service criteria.

H. RISK MANAGEMENT

An integral part of good corporate governance, a comprehensive Risk Management framework enables Wang-Zheng to proactively identify, communicate and manage risks and exposures in an integrated, systematic and consistent manner. In driving risk awareness, decision-making and business processes are put through prudent risk assessment. Fraud and corruption risk has been identified as material to ensure sustainability.

I. CORPORATE GOVERNANCE

In an effort to achieve SDG 16 of promoting peaceful and inclusive societies for sustainable development, providing access to justice for all and building effective, accountable and inclusive institutions at all levels, Wang-Zheng has established the Code and Policy to serve as guidance to the Group's employees and stakeholders.

The Company has also established a Whistleblowing Policy to provide an avenue for all stakeholders to report on any unethical behaviour, malpractices, illegal acts and/or failure to comply with applicable laws, internal policies, rules and regulations. All the Code, Policy and Whistleblowing Policy are published on our Company's website.

We are pleased to highlight that no employees had been disciplined or dismissed, nor have any public cases been brought against Wang-Zheng and its employees due to non-compliance to the laws and regulations. Hence, there were no relevant fines, penalties, or settlements imposed or made during the FYE 2021.

COVID-19

Past 2 years, the threat of Covid-19 still lingers especially with the different Covid-19 variants that come with higher infectivity and mortality rates. This has triggered the Malaysian Government to re-implement various movement restrictions in effort to control the spread of the virus.

Since the beginning of the pandemic outbreak, the Group has implemented various measures based on the guidelines and instructions of the Ministry of Health, Ministry of International Trade & Industry and the National Security Council, such as: -

- Daily temperature screening and check-in via MySejahtera application at building entrance for all staff, tenants and visitors;
- Provision of hand-sanitiser at common areas;
- Physical distancing protocols for office seating, common areas, meeting areas, elevators and lobbies;
- Provision of face masks to employees;
- Embrace new normal working style - "Work From Home" with rotation of staff in the office;
- Virtual meeting facilities to avoid mass gathering/clusters as well as to accommodate participants from different countries/ states; and
- Disinfection activity as and when the needs arise.

The Government has rolled out the National Covid-19 Immunisation Programme in February 2021 to ensure as many residents (citizens and non-citizens) in Malaysia to receive the vaccine in the fastest possible time and to facilitate the eventual resumption of economic activity. Although Covid-19 vaccination remains voluntary in Malaysia, given the

severity of the pandemic, the Group mandated all its employees to get the jab, including funding the costs of vaccination for employees who have not received vaccination appointments from the relevant authority, to safeguard the safety and health of its employees and to curb the spread of Covid-19. The exception will be given to those unfit for vaccination.

In addition, as part of the Group's preventive measures and business continuity plan, employees having symptoms or are exposed to someone with suspected or confirmed Covid-19 are immediately sent for swab tests and/or to undergo home quarantine, if necessary, to curb the spread of the virus as well as to safeguard the health of its employees and building occupants/visitors and the sustainability of the Group's business.

The Group also provides Covid-19 self-test kits to all its employees bi-weekly to enable them to perform self-test for early detection of Covid-19.

LOOKING AHEAD

This ESG reporting contains certain forward-looking remarks based on Wang-Zheng's management's current assumptions and expectations, including statements regarding our ESG targets, goals, commitments and programs and other business plans, initiatives and objectives. These statements are typically accompanied by the words "aim," "hope," "believe," "estimate," "plan," "aspire" or similar words. Our actual future results, including the achievement of our targets, goals, or commitments, could differ materially from our projected results as the result of changes in circumstances, assumptions not being realised, or other risks, uncertainties and factors. Such risks, uncertainties and factors include the risk factors discussed, as well as, with respect to our ESG targets, goals and commitments outlined in this reporting or elsewhere, the challenges, assumptions and dependencies identified in our ESG issue briefs under this statement and other assumptions, risks, uncertainties and factors identified in our reporting. Wang-Zheng cannot assure you that the results reflected or implied by any accelerative statement will be realized or, even if substantially realized, that those results will have the forecasted or expected consequences and effects. Our reporting is made as of the effective date identified on the issue brief unless otherwise indicated and we undertake no obligation to update these accelerative statements to reflect subsequent events or circumstances.

LOOKING AHEAD (CONT'D)

Sustainability is essential to our progress as corporate citizens for our own growth and the liveability of the communities that we had created through our developments. We run our business for the long haul and this mindset underpins our approach in investing in building quality developments and in growing our people to achieve our sustainability goals. We shall work on improving ourselves for continuous progress to achieve more on our sustainability initiatives.

Having incorporated consideration of sustainability matters, the Group will continue to put in efforts to manage the ESG risks and opportunities relevant to its businesses, with a specific focus on Material Sustainability Matters. Ongoing assessment and consideration will also be undertaken to identify and evaluate any emerging ESG risk or opportunities, in addition to the Group's established risk management process which focuses on strategic, operational and financial risks, to enhance the long-term value creation of the Group.

The Covid-19 pandemic has disrupted worldwide business operations and affected the world economy. In the face of challenges, the Group managed to weather the crises and stay resilient. The Group is committed to building upon its sustainability measures as part of its corporate responsibility to stakeholders and will continue to adapt to changes in business models, structures and strategies to remain resilient.

This Statement has been approved by the Board and is current as at 13 April 2022.

GRI CONTENT INDEX

This Content Index provides an overview of the GRI Standard Disclosures made in this Sustainability Statement and the Wang-Zheng Berhad Annual Report 2021.

General Standard Disclosure	
Organisational Profile	
Disclosure 102-1	Name of the organisation
Disclosure 102-2	Activities, brands, products and services
Disclosure 102-3	Location of headquarters
Disclosure 102-4	Location of operations
Disclosure 102-5	Ownership and legal form
Disclosure 102-6	Markets served
Disclosure 102-7	Scale of the organisation
Disclosure 102-8	Information on employees and other workers
Disclosure 102-9	Supply chain
Disclosure 102-11	Precautionary Principle Approach
Disclosure 102-12	External initiatives
Strategy	
Disclosure 102-14	Statement from senior decision -maker
Ethics and Integrity	
Disclosure 102-16	Values, principles, standards and norms of behaviour
Governance	
Disclosure 102-18	Governance Structure

General Standard Disclosure	
Stakeholder Engagement	
Disclosure 102-40	List of Stakeholder groups
Disclosure 102-42	Identifying and selecting stakeholders
Disclosure 102-43	Approach to stakeholder engagement
Disclosure 102-44	Key topics and concerns raised
Reporting Practice	
Disclosure 102-45	Entities included in the consolidated financial statement
Disclosure 102-46	Defining report content and topic Boundaries
Disclosure 102-47	List of material topics
Disclosure 102-48	Restatements of information
Disclosure 102-49	Changes in reporting
Disclosure 102-50	Reporting period
Disclosure 102-51	Date of most recent report
Disclosure 102-52	Reporting cycle
Disclosure 102-53	Contact point for questions regarding the report
Disclosure 102-54	Claims of reporting in accordance with the GRI Standards
Disclosure 102-55	GRI content index

CORPORATE **SUSTAINABILITY STATEMENT**

(CONT'D)

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Organisational Profile	
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Disclosure 201-1	Direct Economic value generated and distributed
Disclosure 202	Management Approach : Market Presence
Disclosure 203	Management Approach : Indirect Economic Impacts
Disclosure 203-1	Infrastructure investments and services supported
Disclosure 204	Management Approach: Procurement Practices
Disclosure 205	Management Approach : Anti-Corruption
Disclosure 205-1	Operations assessed for risks related to corruption
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Topic-specific Standard : Environmental	
Disclosure 302	Management Approach : Energy
Disclosure 302-1	Energy Consumption within the organisation
Disclosure 302-3	Energy Intensity
Disclosure 302-4	Reduction in energy consumption
Disclosure 303	Management Approach : Water
Disclosure 305	Management Approach : Emissions
Disclosure 306-2	Management of significant waste-related impacts
Disclosure 307	Management Approach : Environmental Compliance
Disclosure 307-1	Non Compliance with environmental laws & regulations

General Standard Disclosure	
Topic-specific Standard : Social	
Disclosure 401	Management Approach: Employment
Disclosure 401-1	New Employees hired
Disclosure 403	Management Approach : Occupational Health and Safety
Disclosure 403-1	Workplace representation in formal joint management -worker health and safety committees
Disclosure 404	Management Approach : Training & Education
Disclosure 404-1	Average hours of training per year per employee
Disclosure 404-2	Programmes for upgrading employee skills and transition assistance programme
Disclosure 405	Management Approach : Diversity
Disclosure 406	Management Approach : Non Discrimination
Disclosure 413	Management Approach : Local Communities
Disclosure 413-1	Operations with local community engagement and development programmes
Disclosure 415	Management Approach : Public Policy
Disclosure 419	Management Approach : Socioeconomic Compliance

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors ("the Board") of Wang-Zheng Berhad ("Wang-Zheng" or "the Company") believes that good corporate governance is fundamental to the Wang-Zheng Group of Companies ("the Group") continued success. Therefore, the Board is committed to ensuring that highest standards of Corporate Governance are practiced throughout Wang-Zheng, as a fundamental part of discharging its responsibilities to protect and enhance the shareholders' value and financial performance of the organisation.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance 2021 ("CG") ("MCCG") to enhance business prosperity and maximise shareholders' value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

This Statement sets out the commitment of the Board towards the MCCG and describes how the Group has applied the principles and complied with the best practice provisions as laid out in the MCCG throughout the financial year ended 31 December 2021 ("FYE 2021") pursuant Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"). The CG Report is available on the Company's website www.wangzhengberhad.com as well as via an announcement on the website of Bursa Securities. This Statement should also be read in conjunction with the Statement on Risk Management and Internal Control ("SORMIC") and the respective Board Committee reports in the ensuing pages. Details of how the Company has applied the CG Code principles and complied with its practices, are set out in the CG Report. The explanation for departure is further disclosed in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

1. Board Leadership on Objectives and Goals

Strategic Aims, Values and Standards

The Board is responsible in providing the overall governance, stewardship and oversight for the direction and management of the Group. The Board sets out the strategic directions and objectives, formulating the policies and executing the key strategic action plans of the Group. The Board regularly reviews the Group's business operations, management performance and also ensure the necessary resources are in place.

In the Group, the Board and the Senior Management work cohesively to formulate and to implement the Group's business strategy. The respective roles and responsibilities of the Board and management team are clearly set out and understood to ensure accountability and ownership by both parties. The Board is responsible for the oversight and overall management of the Group including assessing and agreeing with the Group's corporate objectives, and the goals and targets to be met by management.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The management, including the Managing Director, Chief Executive Officer ("MD/CEO") and Executive Directors of the Company, is responsible for managing the day-to-day running of the business activities in accordance with the direction and delegation of the Board. The management meets regularly to discuss and resolve operational issues. The MD/CEO briefs the Board on business performance and operations as well as the management initiatives during quarterly Board's meetings.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I – BOARD RESPONSIBILITIES (CONT'D)

1. Board Leadership on Objectives and Goals (Cont'd)

Strategic Aims, Values and Standards (Cont'd)

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place that effectively monitor and manage these risks with a view to the long term viability of the Group.

The principal roles and responsibilities assumed by the Board are as follows:

- Review and adopt strategic plan of the Group

  The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year.

- Implementation of internal compliance controls and justifies measures to address principal risks

  The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board is responsible for the Group's system of internal controls including financial condition of the business, operational, regulatory compliance as well as risk management matters.

- To formulate and have in place an appropriate succession plan

  The Board is responsible to formulate and have in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for senior management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors.

  The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates with required mix of skills and experience for the Board and to determine remuneration packages for these appointments, and to formulate nomination, selection and remuneration for the Group.

- Developing and implementing an investor relations program or shareholder communications policy for the Group

  The Board recognises that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, The Company website is the primary medium in providing information to all shareholders and stakeholders.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent from the Executive Directors, Management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I – BOARD RESPONSIBILITIES (CONT'D)

1. Board Leadership on Objectives and Goals (Cont'd)

Strategic Aims, Values and Standards (Cont'd)

The MD/CEO holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans and business extension plans and proposals. The MD/CEO, assisted by other Executive Directors, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary and leadership functions including those reserved for the Board's approval and those which the Board may delegate to the Board Committees and the Management and committed to ethical values and standards. On this note, the Board has defined its Board of Charter, and Code of Conduct and Ethics setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed and its commitment of fair practices to its stakeholders, which is available on the Company's website at www.wangzhengberhad.com.

Non-Independent Non-Executive Chairman

During the financial year under review, the Board is chaired by a Non-Independent Non-Executive Director. The Non-Independent Non-Executive Chairman is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgment. The Non-Independent Non- Executive Chairman is responsible to provide leadership for the Board so that the Board can perform its responsibilities effectively.

The Board of Directors of the Company, notwithstanding that the Chairman is a Non-Independent Non-Executive Director, is of the opinion that the element of independence which currently exists is adequate to provide assurance that there is a balance of power and authority on the Board. In addition, the presence of the four (4) Independent Non-Executive Directors are sufficient to provide the necessary checks and balances on the decision making process of the Board. The contributions of the Independent Non-Executive Directors in the decision making process is evidenced in their participation as members of the various committees of the Board.

The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I – BOARD RESPONSIBILITIES (CONT'D)

1. Board Leadership on Objectives and Goals (Cont'd)

Separation in the Roles of Chairman and Managing Director/CEO

During the financial year under review, the Company has complied with the recommendation of the MCCG where the positions of Chairman and MD/CEO are to be held by different individuals.

The roles of the Chairman and the MD/CEO are clearly defined and segregated, to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision making so that no one individual has unfettered powers of decision making. The Chairman is not related to the MD/CEO, and is responsible in leading the Board in the oversight and supervision of the Group's management; whilst the MD/CEO is responsible for the day-to-day operations of the Group, making strategic business decision and implementing the Board's policies and decisions.

Qualified and Competent Company Secretaries

In compliance with MCCG, the Board is supported by qualified and competent Company Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 ("the Act").

Every Director has ready and unrestricted access to the advice and the services of the Company Secretaries in ensuring the effective functioning of the Board. The Company Secretaries provide the required support and assist the Board, Board Committee or Director individually on matters including but not limited to board procedures, rules and Articles of the Company, legislations, regulations, codes, guidelines and operations matter within the Group. The Board is also regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements and the resultant implications to the Company and Directors in relations to their duties and responsibilities.

The Company Secretaries shall keep themselves abreast with the development and new changes in relation to any legislation and regulations concerning the corporate administration and to highlight the same to the Board of Directors accordingly.

The Company Secretaries attend Board and Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I – BOARD RESPONSIBILITIES (CONT'D)

1. Board Leadership on Objectives and Goals (Cont'd)

Board Committees

In discharging its fiduciary duties, the Board has delegated specific tasks to the following four Board Committees:

(a) Audit Committee ("AC");
(b) Nomination Committee ("NC");
(c) Remuneration Committee ("RC"); and
(d) Risk Management Committee (formed on 12 August 2021) ("RMC")

All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's considerations and approvals. The Board retains full responsibility for the direction and control of the Company and the Group.

Access to Information and Advice

Unless otherwise agreed, the Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board at least seven (7) days before the date of the meeting. This is to ensure that the Directors are given sufficient time to read the Board papers and seek any clarification that they may need from Management or to consult the Company Secretaries or independent advisers before the Board Meetings, if necessary. This enables the Directors to discuss the issues effectively at the Board meetings.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

All Directors have direct access to the advice and services of the Company Secretaries who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, all Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated. The Directors may consult the Chairman or other Board members prior to seeking any independent professional advice.

The proceedings and relevant resolutions passed at the Board meeting are duly recorded by the Company Secretaries, and properly documented and filed in the Minutes Book maintained at the Registered Office of the Company.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
(CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I – BOARD RESPONSIBILITIES (CONT'D)

2. Demarcation of Responsibilities

Board Charter

As part of governance process, the Board has formalised and adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. The details of the Board Charter are available for reference at the Company's website at www.wangzhengberhad.com.

3. Good Business Conduct and Corporate Culture

Code of Conduct and Ethics

A Code of Conducts and Ethics, setting out the standards of conduct expected from Directors and all employees of the Group has been formalised. The Code of Conduct and Ethics provides guidance for Directors and every employee regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference at the Company's website at www.wangzhengberhad.com.

Whistle-blowing Policy and Procedures

The Board is committed in achieving and maintaining the highest standard of work ethics in the conduct of business to be in line with the Code of Conduct and Ethics and good corporate governance practices. The Board has formalised a Whistle-blowing Policy, with the aim to provide an avenue and mechanism to all employees and stakeholders of the Group to raise concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.

The main objectives of the policy are:

i) Be committed to the Company's business ethics of Honesty, Integrity and Transparency;
ii) To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and
iii) To uphold the moral duty being a Company by protecting the interest of all its stakeholders.

The details of the Whistle-blowing Policy are available for reference at the Company's website at www.wangzhengberhad.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION

4. Board's objectivity

Board Composition and Balance

The Board is committed in ensuring that its composition not only reflects the diversity as recommended by MCCG, as best as it can, but also the right mix of skills and balance to contribute to the achievement of the Group's goal and business objectives.

The Board of Directors consists of ten (10) Directors, out of which a Non-Independent Non-Executive Chairman, a MD/CEO, a Senior Independent Non-Executive Director, three (3) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The roles of the Chairman of the Board and MD/CEO are segregated to ensure that there is balance of power and authority. Wang-Zheng thus complies with Paragraph 15.02 of the Listing Requirements on board composition, where at least two or one-third, whichever is higher, of the Board members shall be Independent Directors.

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct. The combination of professionals with diverse and varied backgrounds, wealth of experience and expertise in finance and corporate affairs also enables the Board to discharge its responsibilities effectively and efficiently. The profiles of the Directors are as set out in this Annual Report.

Tenure of Independent Directors and Policy of Independent Director's Tenure

The Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group. Majority of Non-Executive Directors, are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. The NC has reviewed the performance of the independent directors and is satisfied they have been able to discharge their responsibilities in an independent manner.

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessarily impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Directors at this juncture.

However, as recommended by the MCCG, the tenure of an independent director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek annual shareholders' approval through a two-tier voting process at a general meeting, normally the Annual General Meeting ("AGM") of the Company.

During the financial year under review, the tenure of the Independent Non-Executive Directors of the Company are as follows:

	≥ 9 Years
Loo Choo Hong	√
Ch'ng Eng Hing	√
Low Yu Keat	√
Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd)	√

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION (CONT'D)

4. Board's objectivity (Cont'd)

Tenure of Independent Directors and Policy of Independent Director's Tenure (Cont'd)

Following an assessment and recommendation by the NC, the Independent Non-Executive Directors listed above have been recommended by the Board to continue to act as Independent Non-Executive Director, subject to the shareholders' approval at the forthcoming AGM of the Company.

The key justifications for their continuance as Independent Non-Executive Directors are as follows:

- they fulfill the criteria under the definition of Independent Director as stated in the Listing Requirements and, therefore, are able to bring independent and objective judgment to the Board as a whole;
- their experience in the relevant industries has enabled them to provide the Board and Board Committees, as the case may be, with pertinent expertise, skills, contribution and competence;
- they have been with the Company for a certain period and therefore understands the Company's business operations which enables them to contribute actively and effectively during deliberations or discussions at Board and Committee meetings; and
- they continue to be scrupulously independent in their thinking and in their effectiveness as constructive challengers of the MD/CEO and Executive Directors.

Additionally, each of the Independent Non-Executive Directors has provided an annual confirmation of their independence to the NC and the Board.

New Candidates for Board Appointment

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the NC. The Board appoints its members through a formal and transparent selection process which is consistent with Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC based on criteria specified in the Company's Fit and Proper Policy. The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

In assessing suitability of candidates,

i) consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of:

   - the Business, the Markets and the Industry in which the Group operates; and
   - the accounting, finance and legal matters.

ii) where a need has been identified, the NC shall entask the Company's Chairman or MD/CEO:

   - to search/recommend for potential candidates from within the Company; or
   - engage its Human Resources Department to advertise (whether locally or internationally); or
   - appoint recruitment advisers; or
   - draw references and recommendations from the fellow directors of the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION (CONT'D)

4. Board's objectivity (Cont'd)

New Candidates for Board Appointment (Cont'd)

iii) The Company's Chairman or MD/CEO:

- shall develop and shortlist of all potential candidates taking into account, amongst other things, the particular skills, experience and contribution to diversity of each individual candidate and their fit with the existing Board; whereby women candidates will be encouraged to join; and
- recommend to the NC the candidate from the short list who best matches the needs of the Board.

The NC will assess, review and deliberate and thereafter, present their recommendations to the Board for consideration and approval.

Factors considered by the NC when recommending a person for appointment as a director include:

i) Skills, knowledge, expertise and experience;
ii) Professionalism and Integrity;
iii) the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;
iv) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and
v) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

Boardroom Diversity

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. The Board's aim is to have a broad range of approaches, backgrounds, skills and experience represented on the Board and to make appointments on merit, and against objective criteria, with due regard given to the benefits of diversity on the Board, including gender, age and ethnicity. The Board recognises diversity in the boardroom as an essential component of a good corporate governance.

The Board currently has two (2) female directors out of ten (10) directors. The Company will increase female representation on the Board if appropriate candidates are available when Board vacancies arise. The Company has formalised a Board Diversity Policy and such policy is published on the Company's website.

The existing Directors' age distribution falls within the respective age group and is as follows:

Age Group	31-40	41-50	51-60	61 & above
Number of Directors	2	2	1	5

The current diversity in the race/ethnicity and nationality of the existing Directors is as follows:

Number of Directors	Race/Ethnicity				Nationality	
	Malay	Chinese	Indian	Others	Malaysian	Foreign
	0	9	1	0	5	5

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
(CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION (CONT'D)

4. Board's objectivity (Cont'd)

Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification will include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Paragraph 15.06 of the Listing Requirements.

Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

Board Meeting and Attendance

During the financial year ended 31 December 2021, the Board met a total of four (4) times. Details of each Director's attendance at the Board meetings are as below:

Name of Directors	Directorship	Total Meetings Attended
Hui Lin Chit	Non-Independent Non-Executive Chairman	4 / 4
Goh Kheng Jiu	Managing Director, Chief Executive Officer	4 / 4
Hui Ching Chi	Executive Director	4 / 4
Li Wai Leung	Executive Director	4 / 4
Wong Pui Wai Nancy	Executive Director	4 / 4
Sze Man Bok	Non-Independent Non-Executive Director	4 / 4
Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd)	Senior Independent Non-Executive Director	4 / 4
Loo Choo Hong	Independent Non-Executive Director	4 / 4
Ch'ng Eng Hing	Independent Non-Executive Director	4 / 4
Low Yu Keat	Independent Non-Executive Director	4 / 4

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION (CONT'D)

4. Board's objectivity (Cont'd)

Board Meeting and Attendance (Cont'd)

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

All the Directors complied with the minimum 50% attendance in respect of Board Meetings held during the financial year under review as stipulated under Paragraph 15.05 of the Listing Requirements.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretaries, after consultation with the Chairman.

To facilitate the Directors' time planning, the tentative dates for Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance towards the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the AGM. At the end of each Board and AC meetings, the date of the next meetings is to be re- confirmed.

Continuing Professional Development

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are keeping abreast on various issues facing the changing business environment within which the Group operates, in order to fulfill their duties as Directors. Any Director so appointed to the Board is required to complete the MAP within four (4) months from the date of appointment.

During the financial year ended 31 December 2021, the Directors have attended several seminars, trainings, workshops and conference as listed below:

Name of Director	Seminars, Trainings, Workshops and Conference Attended
Hui Lin Chit, Sze Man Bok, Hui Ching Chi, Wong Pui Wai Nancy	Listing Rules (ESG)
Li Wai Leung	Board Room Workshop For Directors Inspiring Your Board Performance
Goh Kheng Jiu, Ch'ng Eng Hing	SC updates the Malaysian Code on Corporate Governance to Promote Board Leadership and Oversight of Sustainability
Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd), Low Yu Keat	Boardroom Mini Seminar for PLC Directors 2021
Loo Choo Hong	• 2021 Asia Pacific Regional Virtual Conference • National Tax Conference 2021 • Board Room Workshop For Directors Inspiring Your Board Performance • 2022 Tax Budget Seminar • 2022 Budget Seminar

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION (CONT'D)

4. Board's objectivity (Cont'd)

Continuing Professional Development (Cont'd)

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

In addition to the above, Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and Company Secretaries during the Committee and/or Board Meetings.

Nomination Committee

The Board has set up a Nomination Committee ("NC") which comprise majority of Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis.

The present members of the NC of the Company are:

Chairman
Sze Man Bok - Non-Independent Non-Executive Director

Members
Ch'ng Eng Hing - Independent Non-Executive Director
Low Yu Keat - Independent Non-Executive Director

The Board has stipulated specific Terms of Reference for the NC and copy of the terms of reference can be viewed at the Company's website at www.wangzhengberhad.com.

The summary of activities undertaken by the NC during the financial year included the following:

i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming AGM in accordance with the Company's Constitution; and
iii) Reviewed and recommended the re-appointments of Independent Non-Executive Directors who have served a cumulative term of more than nine (9) years and twelve (12) years.

5. Overall Board Effectiveness

Evaluation for Board, Board Committees and Individual Directors

The NC will conduct an assessment of the performance and effectiveness of the Board as a whole, Board Committees and the contribution of individual Directors annually. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming AGM, with a view to meet current and future requirements of the Group.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION (CONT'D)

5. Overall Board Effectiveness (Cont'd)

Evaluation for Board, Board Committees and Individual Directors (Cont'd)

The criteria used by the NC in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. The independence of Independent Directors is assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements. The Board did not engage any external party to undertake an independent assessment of the Directors.

All assessments and evaluations carried out will be documented and minute by the Company Secretary. The results of all assessment and comments by Directors are summarised and deliberated at the NC meeting and thereafter reported to the Board for deliberation.

Based on the assessment conducted during the financial year 2021, the Board and the NC is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board and Board Committees members and the level of independence demonstrated by all the Independent Directors and each of them continues to fulfil the definition of independence as set out in the Listing Requirements.

Re-election of Directors

The procedure on the re-election of directors by rotation is set out in the Company's Constitution. An election of Directors shall take place each year at the AGM of the Company, where one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one- third shall retire from office and be eligible for re-election. All Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. The Directors to retire shall be the Directors who have been serving in office for the longest duration since their appointment or last re-election. Any Director appointed during the year is required to retire and seek re-election by shareholders at the next AGM following his appointment.

Upon the recommendation of the NC and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming AGM of the Company to be held in 2022 are as stated in the Notice of AGM.

PART III – REMUNERATION

6. Level and Composition of Remuneration

Remuneration Committee

In line with the Best Practices of the MCCG, the Board has set up a Remuneration Committee ("RC") which comprises majority of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The present members of the RC of the Company are:

Chairman
Hui Lin Chit - Non-Independent Non-Executive Chairman

Members
Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy - Senior Independent Non-Executive Director
Low Yu Keat - Independent Non-Executive Director

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III – REMUNERATION (CONT'D)

6. Level and Composition of Remuneration (Cont'd)

Remuneration Committee (Cont'd)

The RC is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the RC.

The terms of reference of the RC can be viewed at the Company's website at www.wangzhengberhad.com.

The summary of activities undertaken by the RC during the financial year included review and recommendation of the payment of Directors' fees and other benefits payables to the Directors and Senior Management of the Company to the Board for approval.

Remuneration Policy

The RC is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors and senior management.

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as Directors.

The RC's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors and senior management that is fairly guided by market norms and industry practice. The RC also recommends the Executive Directors and senior management's remuneration and benefits based on their individual performances and that of the Group.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the AGM based on recommendations of the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III – REMUNERATION (CONT'D)

7. Remuneration of Directors and Senior Management

Directors' Remuneration

The remuneration of the Executive Directors was determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, taking into account the comparative market rates that commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the RC is to ensure that the Company attracts and retains the appropriate Directors of the calibre needed to run the Group successfully. The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned.

The remuneration package of Executive Directors comprises a combination of basic salary (inclusive of statutory employer contributions to the Employees Provident Fund), and benefits-in-kind (such as traveling allowance and chauffeurs as applicable).

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) for the financial year ended 31 December 2021 are as follows:

	Company		Group	
Director	Fees (RM)	Salaries and *other emoluments (RM)	Fees (RM)	Salaries and *other emoluments (RM)
Hui Lin Chit	18,000	–	18,000	–
Goh Kheng Jiu	–	–	–	387,969
Hui Ching Chi	18,000	–	18,000	–
Li Wai Leung	18,000	–	18,000	–
Wong Pui Wai Nancy	18,000	–	18,000	–
Sze Man Bok	18,000	–	18,000	–
Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd)	18,000	11,900	18,000	11,900
Loo Choo Hong	18,000	71,400	18,000	71,400
Ch'ng Eng Hing	18,000	8,000	18,000	8,000
Low Yu Keat	18,000	12,100	18,000	12,100
Total	**162,000**	**103,400**	**162,000**	**491,369**

* other emoluments include the meeting allowances and other benefits and allowances received by the Directors of the Company.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
(CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III – REMUNERATION (CONT'D)

7. Remuneration of Directors and Senior Management

Remuneration of Top Five (5) Senior Management

The total remuneration received by top five (5) senior management of the Group including salary, bonus, benefits in-kind and other emoluments in bandwidth of RM50,000 for the financial year ended 31 December 2021 are as follows:

Name	Range of Remuneration		
	RM200,001 to RM250,000	RM250,001 to RM300,000	RM400,001 to RM450,000
Soh Lay Ching			√
Teh Hui Guan		√	
Soh Kian Wee		√	
Chai Tuck Chuen	√		
Khoo Beng Keong	√		

Details of total remuneration received by the senior management are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band satisfies the accountability and transparency aspects of the MCCG.

The Board ensures that the remuneration of the Senior Management commensurate with their individual performances and level of responsibility as well as the demands, complexities and performance of the Company, with due consideration to attract, retain and motivating the Senior Management.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – AUDIT COMMITTEE

8. Audit Committee

The Audit Committee ("AC") is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation. The AC also undertakes to provide oversight on the risk management framework of the Group.

Chairman of Audit Committee

The current composition of AC comprises of three (3) members, all of whom are Independent Non-Executive Directors. The AC is chaired by an Independent Director who is distinct from the Chairman of the Board. All members of the AC are relatively financially literate, while the Chairman of AC is a member of Malaysian Institute of Accountants.

The Terms of Reference of the AC can be viewed at the Company's website at www.wangzhengberhad.com.my.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART I – AUDIT COMMITTEE (CONT'D)

8. Audit Committee (Cont'd)

Former Audit Partner

None of the Board member nor the AC were former partner of the External Auditors appointed by the Group. The Company took note on the Practice 9.2 of the MCCG to have a policy that requires a former partner to observe a cooling-off period of at least three years before being appointed as a member of the AC.

Assessment of Suitability and Independence of External Auditors

The AC has established a transparent and appropriate relationship with the Company's External Auditors, Messrs PricewaterhouseCoopers PLT (LLP0014401 & AF 1146) ("Messrs PwC"). From time to time, the Auditors will highlight to the AC and the Board on matters that require the Board's attention.

The AC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The AC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the AC prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the AC.

To assess or determine the suitability and independence of the External Auditors, the AC has taken into consideration of the following:

(i) the adequacy of the experience, competence and resources of the External Auditors;

(ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

(iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

(iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are being invited to attend the AGM of the Company to response and reply to the shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

During the FYE 2021, the AC has meet with the External Auditors without the presence of MD/CEO, Executive Director and members of management at least once during the year regarding relevant audit and accounting issues and to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concern expressed by the AC are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the AC, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by them. In compliance with the Malaysian Institute of Accountants, the audit firm rotates its audit partners every seven years to ensure objectivity, independence and integrity of the audit opinions.

The External Auditors have also provided the required independence declaration to the AC and the Board for the FYE 2021. The AC is satisfied with the competence and independence of the External Auditors for the FYE 2021. Having regard to this, the Board approved the AC's recommendation for the shareholders' approval to be sought at the AGM on the reappointment of Messrs PwC as the External Auditors of the Company for the financial year ending 31 December 2022.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART I – AUDIT COMMITTEE (CONT'D)

8. Audit Committee (Cont'd)

Composition of the Audit Committee

The current composition of AC comprises of three (3) members, all of whom are Independent Non-Executive Directors ("INED"), which meets the requirements of Paragraph 15.09(1)(a) and (b) of the Listing Requirements of Bursa Securities and Practice 8.1 and 8.4 of the MCCG.

The AC currently comprises the following members: -

Designation	Name	Directorship
Chairman	Loo Choo Hong	INED
Member	YBhg Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy	Senior INED
Member	Low Yu Keat	INED

All members of the AC are relatively financially literate and have relevant experience to carried out their duties. The terms of reference and summary of activities of the AC are set out in the Audit Committee Report in this Annual Report.

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. Effective Risk Management and Internal Control Framework

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal controls, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks and respond appropriately to the risks encountered.

As an effort to enhance the system of internal controls, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review the existing of risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the AC and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given to the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The Statement on Risk Management and Internal Control is set out in the Annual Report which provides an overview of the management of risks and state of internal controls within the Group.

10. Internal Audit Function

The Group outsourced its internal audit function to an independent professional firm, namely Smart Business Consulting "Smart Focus" ("IA Firm") to provide an independent assessment and assurance over the system of internal control of the Group to the AC and the Board.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control in this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART 1 – COMMUNICATION WITH STAKEHOLDERS

11. Continuous Communication between Company and Stakeholders

The Board recognises the need for transparency and accountability to the Company's shareholders as well as regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company. The Company ensures that timely releases of the quarterly financial results, press releases and corporate announcements are made to its shareholders and investors, which are clear, unambiguous, succinct, accurate and contains sufficient and relevant information.

In order to maintain its commitment of effective communication with shareholders, the Group embraced the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The communication channels used in the Company's engagement with its stakeholders include:

a) The Company's website;
b) Announcements via Bursa Link;
c) Annual Reports and Circular;
d) General Meetings; and
e) Investor relations.

The practice of disclosure of information is not established just to comply with the requirement of the Listing Requirements of Bursa Securities, but also to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders.

The Group also endeavours to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

Besides the above, shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report and the Company's Share Registrar is available to attend to administrative matters relating to shareholders' interests. The Company strived to provide a high level of transparency reporting in order to provide value for its shareholders and investors.

Whilst the Group endeavours to provide as much information as possible to its stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PART II – CONDUCT OF GENERAL MEETINGS

12. Encourage Shareholders' Participation at General Meeting

The AGM is an important forum where communications with shareholders are effectively conducted. As recommended by the MCCG, the notice of AGM will be despatched to shareholders at least twenty-eight (28) days before the AGM, to allow shareholders to have additional time to go through the Annual Report and make the necessary attendance and voting arrangements. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.

The Directors are prepared to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The External Auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders. Status of all resolutions proposed at the AGM is submitted to Bursa Securities at the end of the meeting day.

Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

Attendance of Directors at General Meetings

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.

At the Eighteenth (18th) AGM of the Company held on 23 June 2021, majority of Directors were present to engage directly with shareholders, and be accountable for their stewardship of the Company.

Poll Voting

In line with Paragraph 8.29A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate. This Corporate Governance Overview Statement was approved by the Board on 13 April 2022.

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") of Wang-Zheng Berhad ("the Company") is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2021 ("FY2021").

Composition of AC and Attendance

The AC currently comprises the following members:

Designation	Name	Directorship
Chairman	Loo Choo Hong	INED
Member	Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd)	Senior INED
Member	Low Yu Keat	INED

The AC comprises of three members and all of whom are Independent Non-Executive Directors ("INED"). The AC Chairman, Mr Loo Choo Hong, is a member of the Malaysian Institute of Accountants. The AC therefore meets the requirements of Paragraphs 15.09(1) and 15.10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ('MMLR") and Practice 8.1 and 8.4 of the Malaysian Code on Corporate Governance ("MCCG").

During the FY2021, the AC held four meetings. The MD/CEO, Executive Directors, Group Accountant, external auditors, internal auditors, other Board members and the Company Secretary will attend the AC meetings upon invitation, as and when necessary. Minutes of each meeting were recorded and tabled for confirmation at the next AC meeting and subsequently presented to the Board for notation.

The attendance record of AC members was as follows:

Members	Attendance at the AC Meetings
Loo Choo Hong (INED)	4 / 4
Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd) (Senior INED)	4 / 4
Low Yu Keat (INED)	4 / 4

During the FY2021, the AC had engaged with the external auditors to keep abreast with the key audit issues and audit concerns affecting the Company. The Chairman of the AC will highlight the key issues discussed in the AC meeting at each Board meeting.

Terms of Reference ("TOR") of the AC

The AC had discharged its functions and carried out its duties as set out in the TOR of the AC. The TOR of the AC is available for reference on the Company's website at www.wangzhengberhad.com.

Independence of Audit Committee

The Company recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the AC of the Company were former partners of the external auditors appointed by the Group. The AC took note on the Practice 9.2 of the MCCG to have a policy that requires a former partner to observe a cooling-off period of at least three years before being appointed as a member of the AC.

AUDIT COMMITTEE REPORT
(CONT'D)

Training and Financial Literacy of the AC Members

Collectively, the members of the AC have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the TOR of the AC. The qualification and experience of the individual AC members are disclosed in the Directors' Profiles in this Annual Report ("AR"), and at least one member of the AC fulfils the financial expertise requirement of the MMLR.

During the FY2021, all members of the AC had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their duties. The list of trainings attended is disclosed in the Corporate Governance Overview Statement in this AR.

Summary of Activities of the AC during the FY2021

During the FY2021, the summary of the activities carried out by the AC is summarised as follows:

1. **Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:**

    (a) Reviewed all the four Quarter's Financial Statements and the annual Audited Financial Statements of the Company and the Group and recommended the same for the Board's approval. Discussions focused particularly on any change in the accounting policies and its implementation; significant and unusual events arising from the audit; the going concern assumption; compliance with accounting standards and other legal requirements; significant matters highlighted in the financial statements; and significant judgements made by Management.

    (b) Reported its findings on the financial and Management performance, and other material matters (if any) to the Board.

2. **Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Systems of Internal Control in the Key Operation Processes:**

    (a) Reviewed and approved the Internal Audit Plan for FY2021 proposed by the Internal Auditors to ensure the adequacy of the scope, coverage of works and that it has the necessary authority to carry out its works.

    (b) Reviewed and discussed the Internal Audit Reports which outlined the recommendations towards correcting areas of weaknesses and ensured that management action plans were established for the implementation of the internal auditors' recommendations. Summary of internal auditors' reports presented to the AC provides status updates for management action plans to address the findings reported in the previous audit cycles from the internal auditors.

    (c) Reviewed the adequacy of the scope, functions and competency of the internal auditors' function, and the results of the internal auditors' process to ensure the appropriate actions are taken of the recommendations of the internal auditors' function.

3. **Reviewing the Audit Findings of the External Auditors and Evaluate their Performance, Suitability and Independence of External Auditors:**

    (a) Discussed with the external auditors before the audit commences, the audit plan, significant audits findings, nature and scope of the audit, areas of audit emphasis, and ensured co-ordination where more than one audit firms are involved; as well as the external auditors' evaluation of the system of internal controls and audit reports.

    (b) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, issues raised, audit recommendations and management's response to these recommendations.

Summary of Activities of the AC during the FY2021 (Cont'd)

3. Reviewing the Audit Findings of the External Auditors and Evaluate their Performance, Suitability and Independence of External Auditors: (Cont'd)

(c) Discussed and deliberated on the external auditors' reports and recommendations regarding opportunities for improvement to the significant risk areas, internal controls and financial matters areas based on observations made in the course of interim and final audits.

(d) Held private meetings with the external auditors without the presence of the MD/CEO, Executive Directors and Management to discuss on the areas of audit concern.

(e) Evaluated the performance of the external auditors covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the appointment of the external auditors.

(f) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group.

4. Overseeing the Governance Practices in the Group

(a) Reviewed and recommended on quarterly basis the Related Party Transactions ("RPT") presented by Management to the Board for approval, to ensure that these transactions are undertaken in the best interest of the Company, fair, reasonable and on normal commercial terms as well as not detrimental to the interest of the minority shareholders.

(b) Monitored the thresholds of the RPT and recurrent related party transactions to ensure compliance with MMLR.

(c) Reviewed the Circular to Shareholders in relation to Proposed Renewal of Existing Shareholders' Mandate for Recurrent RPT of a Revenue or Trading Nature.

(d) Reviewed the AC Report, Statement on Risk Management and Internal Control and Corporate Governance Overview Statement to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.

(e) Reviewed the adequacy and effectiveness of the Group's internal control system and reported to the Board.

Internal Audit Function and Activities

The Group has appointed an established external professional Internal Audit firm namely, Smart Business Consulting "Smart Focus", headed by the Assurance Division Senior Associate Director, Mr Lee Fook Sun ("Mr Lee"), who graduated from Australia with a Bachelor of Commerce and a Masters in Accountancy. He is also a member of MIA and CPA Australia as well as a professional member of the Institute of Internal Auditors Malaysia. Mr Lee has vast experience and exposure in the Internal Audit field. He was assisted by three other internal auditors including the Project Director in this assignment during the financial year under review. The internal audit activities were reported directly to the AC based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all level of operations within the Group.

The internal audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies, namely Institute of Internal Auditors. The internal audit provides independent assessment on the effectiveness and efficiency of internal controls system established by the management, utilizing a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the AC. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units.

AUDIT COMMITTEE REPORT
(CONT'D)

Internal Audit Function and Activities (Cont'd)

The AC approves the internal audit plan during the first AC meeting each year. Any subsequent changes to the internal audit plan are approved by the AC. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement. The cost incurred for the internal audit function during the financial year is approximately RM21,000.00.

During the FY2021, the following activities were carried out by the internal auditors in discharge of its responsibilities:

(a) Present the Internal Audit Plan for the year for review and evaluate by the AC;

(b) Review the system of internal controls of the various business operating units;

(c) Recommend improvements to the existing systems of internal controls;

(d) Follow up on implementation and disposition of audit findings and recommendation;

(e) Ascertain the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;

(f) Identify opportunities to improve the operations of and processes in the Company and the Group; and

(g) Identification of risks and implementation of recommendations to mitigate the risks.

The AC and the Board agreed that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

Metric	Achievement
Percentage of Audit Plan Complete	100%
Number of audit report issued	3
Number of Follow-up audit report issued	1
Additional Areas covered as instructed by Audit Committee	Nil
Critical Audit Findings	100%
Recommendations accepted and implemented	100%
Report on Enterprise Risk Management	1
Report on Strategic Risk Management	1

The AC and the Board are satisfied with the performance of the outsourced internal auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsource of the internal audit function.

This AC Report is made in accordance with the resolution of the Board on 13 April 2022.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board of Directors ("the Board") of Wang-Zheng Berhad ("Wang-Zheng" or "the Company") is pleased to report on its Statement on Risk Management and Internal Control, which provides an overview of the nature and state of risk management and internal controls of the Company and its group of companies ("the Group") during the financial year under review and up to the date of approval of this statement by the Board. This statement is guided by the latest Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of the Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance ("MCCG").

Board's Responsibility and Accountability

The Board recognises the importance of good risk management practices and sound internal controls as a platform for good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity.

Due to inherent limitations in any risk management and internal control system, such a system is designed to manage the risk that may impede the achievement of the Group's business objectives rather than eliminate these risks. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against fraud, material misstatement, losses, or errors.

The Board, through its Audit Committee ("AC") has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the AC on a periodic basis.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified. The effectiveness of internal controls was reviewed by the AC in relation to the audits conducted by internal auditors ("IA") during the financial year. Audit issues and actions taken by Management to address the issues tabled by IA were deliberated during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

Internal control and risk-related matters which warranted the attention of the Board were recommended by the AC to the Board for its deliberation and approval and matters or decisions made within the AC's purview were referred to the Board for its notation.

Management's Responsibilities

Senior Management is accountable to the Board for the risk management and the internal control system and for the implementation of processes to identify, evaluate, monitor and report the relevant risks. The implementation of the risk management process for the Group is the responsibility of the Wang Zheng's Senior Management. The Risk Management Committee ("RMC") has been established at Wang- Zheng, for its operations to institutionalise risk management practices.

Review and ensure the effectiveness of the risk management policies and processes. Manage the relevant risks that may impede the achievement of objectives are identified and appropriate mitigating actions have been implemented. Identify significant changes to Wang Zheng's risks, including emerging risks and take actions as appropriate to communicate to Wang Zheng Group's AC and the Board.

Management's Responsibilities (Cont'd)

The RMC which is chaired by the Executive Director, on a yearly basis to ensure the continual effectiveness, adequacy and integrity of the risk management system and that key risk matters would be recommended for escalation to the AC and the Board for deliberation and approval. The senior management of the principal subsidiary companies is tasked to identify and manage the significant risks that are affecting their respective business units. The risk management practices adopted by the Group's principal subsidiary companies are aligned to the Group's risk management practices.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group's assets.

Risk Management

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the AC. The AC, supported by the IA, provides an independent assessment of the effectiveness of the Group's Enterprise Risk Management ("ERM") framework and reports to the Board. The Group's ERM framework is consistent with the ERM framework and involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. This framework helps to reduce the uncertainties surrounding the Group's internal and external environment, thus allowing it to maximise opportunities and minimise adverse incidences that may arise. The major risks to which the Group is exposed to includes strategic, operational, regulatory, financial, market, technological, products and reputational risks.

The Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Company in accordance to the Guidance for Directors of Public Listed Companies on Statement on Risk Management and Internal Control Risk Management is an integral part of the business operations and this process goes through a review process by the Board. Discussions have been conducted during the year involving different levels of managements to identify and address risks faced by the Group. These risks were summarised and included in the Group's risk management report. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review and up to the date of approval of this statement for inclusion in the annual report by the Management. This is to ensure that all high risks are adequately addressed at various levels within the Group. The company has adopted a global standard for the risk management segment.

The ERM process is based on the following principles:

- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to business circumstances; and
- Communicate the risks and responses to Management

All identified risks are displayed on a one (1) to three (3) risk matrix based on their risk ranking to assist the management in prioritising their efforts and appropriately managing the different classes of risks. The Board and Management drive a pro-active risk management culture and regular risk awareness and coaching sessions are held to ensure that the Group's employees have a good understanding and application of risk management principles.

There is no dedicated ERM department, however the Executive Director and Group Accountant ("GA") who works closely with the Group's operational managers are continuously strengthening the risk management initiatives within the Group so that it responds effectively to the constantly changing business environment and is thus able to protect and enhance shareholder value.

Risk Structure/Accountability and Responsibility

Further improving Wang-Zheng's risk governance, ERM structures have been established in each department and subsidiary. The aim is for a risk culture to be internalised through risk ownership and to drive ERM implementation at the functional level. ERM Resource Persons also known as Head of Department ("HOD") / Risk Coordinators ("RCs"), are appointed at each business unit, and act as the single point of contact to liaise directly with the GA in matters relating to ERM, including the submission of reports on a periodic basis. In addition, they are responsible for assisting their HOD to manage and administer the business units' risk portfolios, which include arranging, organising and coordinating ERM programmes.

Internal Control System and Environment

Apart from the risk management and internal audit, the Group has put in place the following key elements of internal controls.

- The Group has an organisational structure that is aligned to business requirements.
- The internal control mechanism is embedded in the various work processes at appropriate levels in the Company.

The Board is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to senior management in the manner the Company controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Company, assessment of financial and operational risks and an effective monitoring mechanism.

Internal Audit

The Board is fully aware of the importance of the internal audit function and has engaged an independent professional firm, namely Smart Business Consulting ("IA Firm") to provide independent assurance to the Board and AC in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system.

The IA Firm adopts a risk based approach and prepares its audit plan based on the risk profiles from the risk assessment of the business units of the Group. Scheduled internal audits are carried out based on the annual audit plan approved by the AC. The IA Firm presents the AC with the internal audit reports.

During the year under review, internal audit reviews were carried out by the internal audit team to address the related internal control weaknesses. Weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly.

The main elements in the system of internal control framework included:

- An organisational structure in the Group with formally defined lines of responsibility and delegation of authority;
- Documentation of written policies and procedures for certain key operational areas;
- Quarterly review of financial results by the Board and the AC;
- Active participation and involvement by the Managing Director ("MD") and the Executive Directors in the day-to-day running of the major businesses and regular discussions with the Senior Management of smaller business units on operational issues;
- Review of internal audit reports and findings by the AC; and
- Monthly review of Group management accounts by MD, Executive Directors and Management.

Internal Audit (Cont'd)

The IA also periodically reports on the activities performed, key strategic and control issues observed by Internal Audit to the AC in order to preserve its independence. The AC reviews and approves IA's annual budget, remuneration, audit plan and human resource requirements to ensure the function maintains an adequate number of internal auditors with sufficient knowledge, skills and experience. IA adopts the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors (IIA), the definition of Internal Auditing, Code of Ethics, Practices and Framework in order to ensure standardisation and consistency in providing assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal controls, risk management and governance. IA has aligned its current internal audit practices with the Committee of Sponsoring Organizations of the Treadway Commission (COSO – USA Standard) and The Criteria of Control Board (COCO - Canadian Standard)'s Internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by the IA are based on the internal control elements, scope and coverage. IA continues to adopt the risk-based audit plan to ensure the programmes carried out are prioritised based on the Group's key risks and core or priority areas. Input from various sources inclusive of the Enterprise Risk Management Framework, business plan, past audit issues, external auditors, Management and Board are gathered, assessed and prioritised to derive the annual audit plan.

In 2021, There were a total of six (6) reports were issued which four (3) internal audit report, (2) Risk Management report and one (1) follow up report were issued.

The Internal Audit function has reviewed the state of internal control of various operating cycles within the Group based on the information provided by the management and line managers, namely on:

- Operations – Manufacturing
- Sales and marketing
- IT security management
- Procurement management
- Accounting and financial activities
- Trading Management
- Human Resources management
- Warehouse Management
- Safety Management
- Suitability Review

All reports from the internal audit reviews carried out were submitted and presented to the AC with the feedback and agreed corrective actions to be undertaken by the Management. Subsequently, the progress of these corrective actions was monitored and verified by IA on a regular basis and submitted to the AC. IA committed to equip the internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities.

During the FYE 2021, the Internal Auditors conducted the followings review: -

i. Internal Audit Review on Carefeel Cotton Industries (M) Sdn Bhd
ii. Internal Audit Review on Quality Hero Corporation Sdn Bhd
iii. Internal Audit Review on Wang-Zheng Corporation Sdn Bhd
iv. Internal Audit Follow up Review of Carefeel Cotton Industries (M) Sdn Bhd, Quality Hero Corporation Sdn Bhd, Wang-Zheng Corporation Sdn Bhd.
v. Report on Enterprise Risk Management
vi. Report on Strategic Risk Management

Quality Assurance

The IA develops and maintains a quality assurance and improvement programme that covers all aspects of internal audit activities. The quality assurance programme assesses the effectiveness of IA processes and identifies opportunities for improvement via both internal and external assessments. It has its own peer reviewer mechanism to ensure consistently good quality output of every audit engagement. The team leader is well experienced to manage the internal audit assignments.

Information and Communication

While the Management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarification from Management as well as to seek inputs from the AC, external and internal auditors, and other experts at the expense of the Company.

Assurance from the Management

The Board has also received reasonable assurance from the MD, GA, and other Department Heads that the Group's risk management and the internal control system are operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group.

Conclusion

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring separate disclosure in the Annual Report. The Board is of the view that the Group's system of internal control and risk management is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

This Statement on Risk Management and Internal Control was made in accordance with a resolution of the Board on 13 April 2022.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

During the financial year, there were no proceeds raised by Wang-Zheng Berhad ("WZB" or "the Company") from any corporate proposals.

Audit and Non-Audit Fees Paid to External Auditors

During the financial year, the amount of audit and non-audit fees paid or payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2021 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered (i)	45,300	215,000
Non-Audit Services Rendered:		
1. Review of Statement of Risk Management and Internal Control	10,000	10,000
2. Taxation service fees	–	52,500
Total	55,300	277,500

Note:
(i) Other than the fees for statutory audits, there is a group reporting fee amounting to RM100,000. Total auditors' remuneration is RM315,000.

Material Contracts

There are no other material contracts (including contracts not reduced into writing), entered into in the ordinary course of business which has been entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year under review.

Material Contract Relating to Loans

There were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

Recurrent Related Party Transactions of a Revenue or a Trading Nature

At the Eighteenth Annual General Meeting held on 23 June 2021, the Company had obtained a general mandate from its shareholders for the recurrent related party transactions of a revenue and trading nature ("RRPTs").

The details of the RRPTs entered by the Group during the financial year ended 31 December 2021 are disclosed in the Audited Financial Statements in the Annual Report.

STATEMENT OF DIRECTORS' RESPONSIBILITY
IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible to prepare financial statements for each financial year to give a true and fair view of the state of affairs of the Group and the Company in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of Companies Act, 2016."

In preparing the financial statements, the Board considers that:

(a) all applicable MFRS and IFRSs reporting requirements have been followed;

(b) the Group and the Company have used appropriate accounting policies and have consistently applied them;

(c) reasonable and prudent judgments and estimates were made; and

(d) the financial statements were prepared on the going concern basis as the Board has a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records and other records which are closed with reasonable accuracy at any time the financial position of the Group and the Company.

The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiary companies are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	7,716,872	3,234,697
Attributable to:		
Owners of the parent	7,716,872	3,234,697

DIVIDENDS

The dividends paid or declared by the Company since the end of the previous financial year were as follows:

	RM
A first and final single tier tax exempt dividend of RM0.03 per ordinary share in respect of the financial year ended 31 December 2020 on 15 July 2021	4,757,433

At the forthcoming Annual General Meeting, a first and final single tier tax exempt dividend of RM0.02 per ordinary share in respect of the financial year ended 31 December 2021 will be proposed for shareholders' approval. The financial statements for the current financial year does not reflect this proposed dividend. Such dividend if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

TREASURY SHARES

At the Annual General Meeting ("AGM") held on 23 June 2021, the shareholders approved the share buy-back up to 10% of the issued and paid-up share capital of the Company. The authority from the shareholders has been renewed yearly at the shareholders' meeting. The renewal of share buyback was approved at the AGM and will expire at the conclusion of the forthcoming AGM of the Company.

The Directors of the Company are committed to enhance the value of the Company to its shareholders and believed that the repurchase plan can be applied in the best interest of the Company and its shareholders.

The Company does not repurchase any shares from the open market during the financial year ended 31 December 2021.

As at 31 December 2021, the total number of treasury shares held by the Company is 1,418,900 (31.12.2020: 1,418,900) ordinary shares. Further relevant details are disclosed in Note 24 to the financial statements.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Ch'ng Eng Hing
Fu Kwan (Resigned on 23 June 2021)
Goh Kheng Jiu*
Loo Choo Hong
Low Yu Keat
Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd)
Hui Lin Chit
Sze Man Bok
Li Wai Leung*
Hui Ching Chi
Wong Pui Wai Nancy*

** Director of the Company and of its subsidiary companies*

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) since the beginning of the financial year until the date of this report are:

Chai Tuck Chuen
Khoo Beng Keong
Soh Lay Ching
Teh Hui Guan

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and make a part hereof.

DIRECTORS' REPORT
(CONT'D)

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2021 RM	Bought RM	Sold RM	At 31.12.2021 RM
Interests in the Company				
Direct interests				
Ch'ng Eng Hing	20,000	–	–	20,000
Goh Kheng Jiu	2,042,722	–	–	2,042,722
Loo Choo Hong	10,000	–	–	10,000
Low Yu Keat	70,000	–	–	70,000
Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd)	5,000	–	–	5,000
Indirect interests				
Goh Kheng Jiu [1]	5,751,479	-	–	5,751,479
Hui Lin Chit [2]	90,862,933	-	–	90,862,933
Hui Ching Chi [2]	90,862,933	-	–	90,862,933
Sze Man Bok [2]	90,862,933	-	–	90,862,933

Notes:

1 *Deemed interest through direct shareholdings of spouse, brother-in-law and substantial shareholdings in Wang-Zheng Resources Sdn. Bhd.*

2 *Deemed interest through shareholdings in Hengan International Group Company Limited, the ultimate holding company*

None of the other Directors in office at the end of the financial year had any interest in the shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits as disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Company or any of its subsidiary a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 8 to the financial statements.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and Officers of the Company were RM10,000,000 and RM13,106 respectively. No indemnity was given to or insurance effected for the auditors of the Company.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

  iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading; or

  (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

  (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;

  (ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

  (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT
(CONT'D)

HOLDING COMPANIES

The Directors regard the immediate holding company is Hengan (Malaysia) Investments Company Limited, a Company incorporated and domiciled in British Virgin Islands. The intermediate holding company is Hengan Mega Jumbo Investments Limited, a Company incorporated and domiciled in Hong Kong. The ultimate holding company is Hengan International Group Company Limited, a public limited liability company, incorporated and domiciled in Cayman Islands and is listed on The Stock Exchange of Hong Kong Limited.

SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 15 to the financial statements.

AUDITORS REMUNERATION

The details of auditors remuneration are set out in Note 7 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of Directors in accordance with their resolution dated on 13 April 2022.

GOH KHENG JIU
DIRECTOR

LI WAI LEUNG
DIRECTOR

STATEMENT BY **DIRECTORS**
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Goh Kheng Jiu and Li Wai Leung, two of the Directors of Wang-Zheng Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 94 to 164 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and financial performance of the Group and of the Company for the financial year ended 31 December 2021 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated on 13 April 2022.

GOH KHENG JIU
DIRECTOR

LI WAI LEUNG
DIRECTOR

STATUTORY **DECLARATION**
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Yong Voon Fui, being the Officer primarily responsible for the financial management of Wang-Zheng Berhad, do solemnly and sincerely declare, that the financial statements set out on pages 94 to 164 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

YONG VOON FUI
(MIA No. CA21382)

Subscribed and solemnly declared by the abovenamed at Shah Alam in Selangor Darul Ehsan on 13 April 2022.

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF WANG-ZHENG BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion
In our opinion, the financial statements of Wang-Zheng Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 94 to 164.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>
<u>Impairment of property, plant and equipment</u>

Refer to Note 3(b) for the accounting policies and Note 11 to the financial statements.

As at 31 December 2021, the Group has property, plant and equipment ("PPE") of RM14,853,312 and represents 33% of the Group's total non-current assets. The PPE mainly comprise of plant and machinery and factory equipment of RM13,072,226.

Due to the general economic condition, this has triggered an impairment assessment in accordance with MFRS 136 Impairment of Assets. Accordingly, management has carried out an impairment assessment on the PPE.

In assessing the recoverable amounts of PPE, mainly comprising plant and machinery and factory equipment, value-in-use ("VIU") method was used where management estimated the future cash flows expected to be earned by the PPE. In determining these key assumptions, significant estimates were made to determine the appropriate revenue growth rate, gross profit margin and discount rate applicable for the PPE.

We focused on this area due to the complexities in determining the VIU of the PPE, which involved significant estimates and judgements in determining the appropriate underlying assumptions to be applied.
</td><td>
Audit procedures performed over this key audit matter were as follows:

• Evaluated management's assessment of impairment indicators for the PPE;

• The following audit procedures were performed on VIU calculation:

- Assessed the appropriateness of the valuation methodology used by management;

- Tested the mathematical accuracy of the VIU calculations prepared by management;

- Benchmarked key assumptions used by management in estimating future cash flows such as revenue growth and gross profit margin to historical track records, future market outlook and management's expectation of market developments;

- Involved our internal valuation specialist to evaluate the appropriateness of the discount rates used for the respective CGUs in the VIU calculation by checking the key inputs used such as the risk-free rate, market risk premium and industry's debt and equity ratios to market data; and

- Assessed the reasonableness of probabilities of occurrence assigned to multiple scenarios.

• We also considered the adequacy of the disclosures made in the financial statements.

Based on the procedures performed, no material exception was noted.
</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF WANG-ZHENG BERHAD
(CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, Statement on Risk Management and Internal Control and other sections of Annual Report 2021, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

Auditors' responsibilities for the audit of the financial statements (Cont'd)

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

TAN CHIN YEE
03380/06/2022 J
Chartered Accountant

Kuala Lumpur
13 April 2022

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
			Restated		
	Note	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Revenue	5	225,288,921	242,652,168	3,397,500	5,377,500
Cost of sales		(193,595,117)	(211,838,875)	–	–
Gross profit		31,693,804	30,813,293	3,397,500	5,377,500
Other income		3,972,329	5,697,520	567,335	454,698
Marketing and distribution expenses		(9,206,352)	(10,238,573)	–	–
Administration expenses		(13,064,932)	(16,331,096)	(537,859)	(435,427)
Finance costs	6	(1,737,437)	(2,371,222)	–	–
Profit before taxation	7	11,657,412	7,569,922	3,426,976	5,396,771
Taxation	9	(3,940,540)	(2,443,623)	(192,279)	(40,980)
Profit for the financial year, representing total comprehensive income for the financial year		7,716,872	5,126,299	3,234,697	5,355,791
Earnings per share (sen) Basic/diluted	10	4.87	3.23		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Group 31.12.2021 RM	Group Restated 31.12.2020 RM	Group Restated 1.1.2010 RM	Company 31.12.2021 RM	Company 31.12.2020 RM
ASSETS						
Non-Current Assets						
Property, plant and equipment	11	14,853,312	16,165,059	17,682,817	–	–
Investment properties	12	6,446,458	6,555,223	10,339,279	–	–
Right-of-use assets	13	20,842,786	21,938,950	23,683,057	–	–
Other assets	14	21,584	22,914	26,494	–	–
Investment in subsidiaries	15	–	–	-	55,966,425	55,966,425
Deposits with investment fund	16	–	–	61,646,673	–	–
Deferred tax assets	17	1,482,090	1,679,845	1,808,538	–	-
Other receivables, deposits and prepayments	18	1,158,108	996,313	853,729	–	–
Total non-current assets		44,804,338	47,358,304	116,040,587	55,966,425	55,966,425
Current Assets						
Inventories	19	44,887,503	48,151,158	42,431,292	–	–
Trade receivables	20	46,167,656	50,161,646	55,303,312	–	–
Other receivables, deposits and prepayments	18	2,084,453	1,529,298	777,179	200	13,652
Amounts due from subsidiaries	21	–	–	–	3,485,980	5,377,500
Tax recoverable		2,151,513	2,328,424	701,633	7,609	73,889
Deposits with investment fund	16	261	62,378,160	–	–	–
Fixed deposits with licensed banks	22	12,587,376	12,418,653	12,183,759	12,587,376	12,418,653
Cash and bank balances		123,927,573	44,183,538	43,593,489	17,742,153	17,420,571
Total current assets		231,806,335	221,150,877	154,990,664	33,823,318	35,304,265
TOTAL ASSETS		276,610,673	268,509,181	271,031,251	89,789,743	91,270,690

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2021
(CONT'D)

			Group		Company	
	Note	31.12.2021 RM	Restated 31.12.2020 RM	Restated 1.1.2010 RM	31.12.2021 RM	31.12.2020 RM
EQUITY AND LIABILITIES						
EQUITY						
Share capital	23	86,676,846	86,676,846	86,676,846	86,676,846	86,676,846
Treasury shares	24	(649,578)	(649,578)	(649,578)	(649,578)	(649,578)
Retained earnings		110,247,177	107,287,738	109,297,589	3,537,370	5,060,106
Total equity		196,274,445	193,315,006	195,324,857	89,564,638	91,087,374
LIABILITIES						
Non-Current Liabilities						
Lease liabilities	25	81,755	793,923	1,753,441	–	–
Hire purchase payables	27	2,775,035	4,002,350	–	–	
Deferred tax liabilities	17	1,696,847	1,775,366	1,615,628	–	–
Total non-current liabilities		4,553,637	6,571,639	3,369,069	–	–
Current Liabilities						
Trade payables	28	5,575,104	7,926,341	6,620,073	–	–
Other payables	29	6,185,748	6,222,515	6,818,788	225,105	183,316
Lease liabilities	25	833,025	972,533	1,082,162	–	–
Bank borrowings	26	57,134,237	48,494,487	55,741,771	–	–
Hire purchase payables	27	1,227,315	1,159,400	–	–	–
Tax payable		373,597	352,600	–	–	–
Provision	30	4,108,594	3,158,422	2,074,531	–	–
Contract liabilities	31	344,971	336,238	–	–	–
Total current liabilities		75,782,591	68,622,536	72,337,325	225,105	183,316
TOTAL LIABILITIES		80,336,228	75,194,175	75,706,394	225,105	183,316
TOTAL EQUITY AND LIABILITIES		276,610,673	268,509,181	271,031,251	89,789,743	91,270,690

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Attributable to Owners of the Parent Share Capital RM	Treasury Shares RM	Retained Earnings RM	Total Equity RM
Group					
At 1 January 2021 (restated)		86,676,846	(649,578)	107,287,738	193,315,006
Profit for the financial year, representing total comprehensive income for the financial year		–	–	7,716,872	7,716,872
Transaction with owners					
Dividends	32	–	–	(4,757,433)	(4,757,433)
At 31 December 2021		86,676,846	(649,578)	110,247,177	196,274,445
As 1 January 2020					
- As previously reported		86,676,846	(649,578)	110,874,233	196,901,501
- Prior year adjustments	40	–	–	(1,576,644)	(1,576,644)
As restated		86,676,846	(649,578)	109,297,589	195,324,857
Profit for the financial year, representing total comprehensive income for the financial year					
- As previously reported		–	–	5,950,056	5,950,056
- Prior year adjustments	40	–	–	(823,757)	(823,757)
As restated		–	–	5,126,299	5,126,299
Transaction with owners					
Dividends	32	–	–	(7,136,150)	(7,136,150)
At 31 December 2020 (restated)		86,676,846	(649,578)	107,287,738	193,315,006

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

	Note	Share Capital RM	Treasury Shares RM	Retained Earnings RM	Total Equity RM
Company					
At 1 January 2021		86,676,846	(649,578)	5,060,106	91,087,374
Profit for the financial year, representing total comprehensive income for the financial year		–	–	3,234,697	3,234,697
Transaction with owners:					
Dividends	32	–	–	(4,757,433)	(4,757,433)
At 31 December 2021		86,676,846	(649,578)	3,537,370	89,564,638
At 1 January 2020		86,676,846	(649,578)	6,840,465	92,867,733
Profit for the financial year, representing total comprehensive income for the financial year		–	–	5,355,791	5,355,791
Transaction with owners:					
Dividends	32	–	–	(7,136,150)	(7,136,150)
At 31 December 2020		86,676,846	(649,578)	5,060,106	91,087,374

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	31.12.2021 RM	Restated 31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	11,657,412	7,569,922	3,426,976	5,396,771
Adjustments for:				
Amortisation of other assets	430	430	–	–
Allowance for obsolete stock	342,769	–	–	–
Depreciation of property, plant and equipment	2,666,883	2,963,167	–	–
Depreciation of right-of-use assets	1,225,117	1,358,722	–	–
Depreciation of investment properties	108,765	158,658	–	–
Dividend income	–	–	(3,397,500)	(5,377,500)
Fair value loss on financial asset	900	3,150	–	–
Loss/(gain) on disposal of property, plant and equipment	938	(99,565)	–	–
Impairment/(reversal of) loss on trade receivables, net	202,213	(235,158)	–	–
Impairment loss on investment properties	–	4,000,731	–	–
Interest expense	1,737,437	2,371,222		–
Interest income (i)	(2,173,296)	(2,831,390)	(567,335)	(454,698)
Inventories written down	–	331,112	–	–
Property, plant and equipment written off	–	3,803	–	–
Provision for sales tax	950,172	1,083,891		
Reversal of inventories written down	–	(69,903)	–	–
Unrealised (gain)/loss on foreign exchange	(93,974)	89,960	–	–
Operating profit/(loss) before working capital changes	16,625,766	16,698,752	(537,859)	(435,427)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

	Group		Company	
	31.12.2021 RM	Restated 31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Changes in working capital				
Inventories	2,920,886	(5,981,076)	–	–
Receivables	3,280,353	4,990,558	13,452	276
Payables	(2,448,627)	644,332	41,789	(34,184)
Contract liabilities	8,733	336,238	–	–
	3,761,345	(9,948)	55,241	(33,908)
Cash generated from/ (used in) operations	20,387,111	16,688,804	(482,618)	(469,335)
Interest received	1,887,162	770,929	281,201	25,724
Interest paid	(1,737,437)	(2,371,222)	–	–
Tax paid	(3,623,396)	(3,429,382)	(125,999)	(108,668)
	(3,473,671)	(5,029,675)	155,202	(82,944)
Net cash generated from/ (used in) operating activities	16,913,440	11,659,129	(327,416)	(552,279)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend received	–	–	5,377,500	7,374,750
Advances to subsidiary	–	–	(88,480)	–
Repayment from subsidiaries	–	–	–	16,699,400
Proceeds from disposal of property, plant and equipment	12,000	103,254	–	–
Purchase of property, plant and equipment	(1,522,769)	(1,994,065)	–	–
Placement of deposits with investment fund	(59,000,000)	(9,000,000)	–	–
Withdrawal of deposits with investment fund	121,377,899	9,900,000	–	–
Withdrawal of fixed deposits with licensed banks	117,411	194,080	117,411	194,080
Net cash generated from/(used in) investing activities	60,984,541	(796,731)	5,406,431	24,268,230

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

	Group		Company	
		Restated		
	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(4,757,433)	(7,136,150)	(4,757,433)	(7,136,150)
Drawdown of borrowings - bankers' acceptance	132,216,446	149,776,261	–	–
Repayment of borrowings - bankers' acceptance	(123,576,696)	(157,023,545)	–	–
Drawdown of hire purchase payables	–	6,164,872	–	–
Repayment of hire purchase payables	(1,159,400)	(1,003,122)	–	–
Repayment of lease liabilities	(980,183)	(1,009,664)	–	–
Net cash generated from/(used in) financing activities	1,742,734	(10,231,348)	(4,757,433)	(7,136,150)
NET INCREASE IN CASH AND CASH EQUIVALENTS	79,640,715	631,050	321,582	16,579,801
EFFECT OF EXCHANGE TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS	103,320	(41,001)	–	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	44,183,538	43,593,489	17,420,571	840,770
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (ii)	123,927,573	44,183,538	17,742,153	17,420,571

Notes:

(i) The Group's interest income received were reinvested into the principal of deposits with investment fund and fixed deposits with licensed banks amounted to nil and RM286,134 respectively (31.12.2020: RM1,631,487 and RM428,974). The Company's interest income received were reinvested into the principal of fixed deposits with licensed banks amounted to RM286,134 (31.12.2020: RM428,974).

(ii) Cash and cash equivalents represent cash and bank balances.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at No. 1, Jalan Utarid U5/19, Section U5, 40150 Shah Alam, Selangor Darul Ehsan.

The registered office of the Company is located at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary companies are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

The immediate holding company is Hengan (Malaysia) Investments Company Limited, a Company incorporated and domiciled in British Virgin Islands. The intermediate holding company is Hengan Mega Jumbo Investments Limited, a Company incorporated and domiciled in Hong Kong. The ultimate holding company is Hengan International Group Company Limited, a public limited liability company, incorporated and domiciled in Cayman Islands and is listed on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the individual policy statements in Note 3 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) Standards, amendments to published standards and interpretations that are effective

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2021:

- Amendment to MFRS 16 'COVID-19-Related Rent Concessions'
- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2'

The standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. BASIS OF PREPARATION (CONT'D)

(b) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2021. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

Effective for annual period beginning on or after 1 January 2022
- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities'
- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Amendments to MFRS 116 'Proceeds before intended use'
- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract'

Effective for annual period beginning on or after 1 January 2023
- Amendments to MFRS 101 'Classification of liabilities as current or non-current'
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

(a) Consolidation

(i) Subsidiaries

Subsidiary companies are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured at fair value at the subsequent acquisition date and the resulting gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and statements of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(b) Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment (Cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in gain/loss on disposal of property, plant and equipment in profit or loss.

Property, plant and equipment are depreciated on the straight-line method to allocate the cost, to their residual values over their estimated useful lives summarised as follows:

Plant and machinery	5 - 12½ years
Motor vehicles	5 years
Office equipment and computers	5 - 10 years
Furniture and fittings	8 - 10 years
Air conditioners	8 - 10 years
Electrical installation and renovation	4 - 10 years
Factory equipment	10 years
Signboard	8 - 10 years

Depreciation on assets under construction commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(c) Investment properties

Investment properties, comprising principally land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its cost, including professional fees for legal services, property transfer taxes, other transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight-line basis to allocate the cost to their residual values over their estimated useful lives of 50 to 99 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Impairment of non-financial assets

Assets that have an indefinite useful life are tested annually for impairment. The Group also assesses other assets that are subject to amortisation for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss and presented within administration expenses in the period of which arises unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(e) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ('SPPI').

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets (Cont'd)

(iii) Measurement (Cont'd)

Debt instruments (Cont'd)

There are two measurement categories into which the Group classifies its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are included as administration expenses in the statements of comprehensive income.

(b) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within administration expenses in the period which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as revenue when the Group's right to receive payments is established.

(iv) Subsequent measurement – Impairment

Impairment for debts instruments carried at amortised cost and financial guarantee contracts

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has three types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables, deposits and amounts due from subsidiaries.
- Financial guarantee contracts

While cash and cash equivalents and fixed deposits with licensed banks are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets (Cont'd)

(iv) Subsequent measurement – Impairment (Cont'd)

Impairment for debts instruments carried at amortised cost and financial guarantee contracts (Cont'd)

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument. The financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(a) Simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 37(b)(i) sets out the measurement details of ECL.

(b) General 3-stage approach for other receivables, deposits and amounts due from subsidiaries and financial guarantee contracts issued.

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if the credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 37(b)(i) sets out the measurement details of ECL.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets (Cont'd)

(iv) Subsequent measurement – Impairment (Cont'd)

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information is incorporated as part of the internal rating model. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

<u>Definition of default and credit impaired financial assets</u>

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor' financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

<u>Groupings of instruments for ECL measured on collective basis</u>

(i) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Financial instruments that are credit-impaired are assessed on an individual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets (Cont'd)

(iv) Subsequent measurement – Impairment (Cont'd)

Write-off

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables, deposits and amounts due from subsidiaries

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. Subsequent recoveries of amounts previously written off will result in impairment gains.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost are assigned to individual items of inventory on the basis of weighted average costs. The cost of finished goods comprises raw materials, direct labour, other direct costs, including import duties and other taxes and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

(h) Contract liabilities

Contract liabilities are recognised when the Group has an obligation to transfer goods or services to a customer for which the Group has already received consideration or the amount is due. Contract liabilities are recognised as revenue when the Group satisfies the performance obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. See accounting policy Note 3(e)(iv) on impairment of financial assets.

(j) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised as a reduction of current tax and no deferred tax asset is recognised when the tax credit arises.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Cash and cash equivalents

For the purposes of the statements of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand and deposits held at call with financial institutions, with original maturities of 3 months or less that are readily convertible to known amount of cash of which are subject to an insignificant risk of changes in value.

(l) Share Capital

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(iii) Purchase of own shares

Where the Company purchases the Company's equity instruments as a result of a share buy-back, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued or disposed off. Where such ordinary shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

(iv) Earnings per share

<u>Basic earnings per share</u>

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

<u>Diluted earnings per share</u>

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(o) Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries is carried at cost less accumulated impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(d) on impairment of non-financial assets. On disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amount of the investment is recognised in the profit or loss.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognition amount and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statements of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Borrowings (Cont'd)

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Leases

(i) Accounting by lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.\

<u>Lease term</u>

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

<u>ROU assets</u>

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leases (Cont'd)

(i) Accounting by lessee (Cont'd)

ROU assets (Cont'd)

The Group applies the cost model to ROU assets that meet the definition of investment property of MFRS 140 consistent with those investment properties owned by the Group. Refer to accounting policy Note 3(c) on investment property.

The Group presents ROU assets that meet the definition of investment property in the statements of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statements of financial position.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statements of comprehensive income.

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer and small items of office furniture, such as photocopy machine. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leases (continued)

(ii) Accounting by lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

(r) Employee benefits

Short-term employees' benefit

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Defined contribution plan

The Group contributes to the Employees Provident Fund, the national defined contribution plan. The contributions are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further financial obligations.

(s) Revenue recognition

(i) Revenue from contract with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of applicable tax, returns, rebates and discounts. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group's revenue is derived mainly from sales of disposal fibre-based products and processed papers products.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Revenue recognition (Cont'd)

(i) Revenue from contract with customers (Cont'd)

Sale of goods

Revenue from sales of disposal fibre based products and processed papers products are recognised net of discount and applicable tax at the point in time when control of the goods is transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to location specified by the customer and acceptance of the goods by the customer; or upon delivery of the products on board for onward delivery to the customer.

Revenue from sales of disposal fibre based products are often sold with fixed rebate percentage. Revenue from these sales is recognised based on the price specified in the contract, net of rebates. A refund liability for the rebate is recognised for the rebates payable to customers in relation to sales.

The Group sell its products to the customers with a right of return. Therefore, a refund liability (a financial liability) is recognised as the Group receives consideration from its customers and expects to refund some or all of that consideration to the customers. The refund liability is measured at the amount of consideration received (or receivable) for which the Group does not expect to be entitled (i.e. amounts not included in the transaction price). The refund liability shall be updated at the end of each reporting period for changes in expectations about the amount of refunds, with corresponding adjustments as revenue (or reductions of revenue). A right to the returned goods (an asset) are recognised for the products expected to be returned by customers, with a corresponding adjustment to cost of sales, to account for the entity's right to recover products from customers on settling the refund liability. The Group present the asset separately from the refund liability. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level using the most likely amount method. Because the number of products returned has been steady for years, management assessed that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

The consideration payable to customers are accounted for as a reduction of the transaction price unless the payment to the customers are in exchange for distinct goods or services that the customers transfer to the Group.

There is no element of financing present as the Group's sale of goods are either on cash term or on credit terms not exceeding 12 months, which is consistent with market practice. A receivable is recognised when the goods are delivered and the customers has inspected and accepted the products as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group enter some bill-and-hold arrangements with customers where the customers are billed for goods that are ready for delivery, but the Group retains physical possession of the goods until they are transferred to the customer at a point in time in the future. Revenue is recognised when control of the goods transfers to the customers and was recognised at point in time.

Revenue from scrap sales is recognised point in time when the control of the scrap has transferred, being when the scrap are delivered to and accepted by the customers.

Delivery and storage services

Revenue from providing delivery and storage services is recognised over time in the period in which the services are rendered.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Revenue recognition (Cont'd)

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group are as follows:

- Rental income from investment properties is recognised on the straight-line basis over the contract terms. (Note 3(q)(ii))
- Interest income is recognised using the effective interest method
- Dividend income is recognised when the Company's right to receive payment is established

(t) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

(u) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offer different products and serves different markets.

(v) Contingent assets and liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible future obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 Revenue from Contracts with Customers.

(x) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate. Government grant is presented within other income in statements of comprehensive income.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

4.1 Impairment of property, plant and equipment

The Group assesses whether there is any indication that non-financial assets are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The recoverable amount is determined based on value in use ("VIU"). The Group 's cash-generating units ("CGU") is identified as each operating subsidiary. The VIU is the net present value of the projected future cash flows to be derived from these assets. Projected future cash flows requires management's estimates and judgement to derive future cash flows based on key assumptions. The key assumptions used are:

- Forecasted revenue growth and profit margin based on historical track records, future market outlook and management's expectation of market developments; and
- The discount rate used is based on industry average cost of capital with key inputs such as the risk-free rate, market risk premium and industry's debt and equity ratios to market data.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1 Impairment of property, plant and equipment (Cont'd)

The Group has evaluated the carrying amounts of property, plant and equipment against their recoverable amounts.

The Group's review includes the sensitivity of key assumptions to the cash flows projections as disclosed in Note 11 to the financial statements.

5 REVENUE

	Group		Company	
	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Revenue from contracts with customers:				
- sale of goods	224,482,305	241,917,584	–	–
- services rendered	806,616	734,584	–	–
Revenue from other sources:				
- dividend income	–	–	3,397,500	5,377,500
	225,288,921	242,652,168	3,397,500	5,377,500
Timing of revenue recognition:				
At a point in time	224,482,305	241,917,584	–	–
Over time	806,616	734,584	–	–
Total revenue	225,288,921	242,652,168	–	–

6 FINANCE COSTS

	Group	
	31.12.2021 RM	31.12.2020 RM
Interest expenses on:		
- bankers' acceptance	1,433,894	1,984,992
- lease liabilities	57,351	99,587
- hire purchase	246,192	286,643
	1,737,437	2,371,222

7 PROFIT BEFORE TAXATION

Profit before tax is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
		Restated		
	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Auditors' remuneration:				
Fees for statutory audits				
- PricewaterhouseCoopers PLT [(i)]	215,000	200,000	45,300	50,000
Fee for non-audit services				
- PricewaterhouseCoopers PLT	10,000	10,000	10,000	10,000
- PricewaterhouseCoopers Taxation Service Sdn Bhd	52,500	15,000	–	–
Allowance for obsolete stock	342,769	–	–	–
Amortisation of other assets	430	430	–	–
Depreciation of:				
- property, plant and equipment	2,666,883	2,963,167	–	–
- right-of-use assets	1,225,117	1,358,722	–	–
- investment property	108,765	158,658	–	–
Fair value loss on financial asset	900	3,150	–	–
Loss/(gain) on disposal of property, plant and equipment	938	(99,565)	–	–
Staff costs including Directors' remuneration (Note 8)	20,430,108	19,918,253	265,400	218,200
Loss/(gain) on foreign exchange:				
- realised	282,340	(118,916)	–	–
- unrealised	(93,974)	89,960	–	–
Impairment/(reversal of) loss on trade receivables, net	202,213	(235,158)	–	–
Impairment loss on investment properties	–	4,000,731	–	–
Interest income	(2,173,296)	(2,831,390)	(567,335)	(454,698)
Inventories written down	–	331,112	–	–
Property, plant and equipment written-off	–	3,803	–	–
Provision for sales tax	950,172	1,083,891	–	–
Reversal of inventories written down	–	(69,903)	–	–
Warehousing expenses	281,456	334,712	–	–
Lease expenses relating to short-term leases	181,050	159,600	–	–
Transport expenses	3,136,232	3,381,414	–	–
Marketing and promotional expenses	938,567	1,311,032	–	–
Rental income – investment properties	(536,979)	(557,216)	–	–
Government grant income [(ii)]	–	(843,600)	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

7 PROFIT BEFORE TAXATION (CONT'D)

(i) Other than fees for statutory audits, a group reporting fee charged to a member firm of PricewaterhouseCoopers International Limited, which is a separate and independent legal entity from PricewaterhouseCoopers PLT, amounting to RM100,000 (31.12.2020: RM125,000). Total auditors' remuneration for PricewaterhouseCoopers PLT is RM315,000 (31.12.2020: RM325,000).

(ii) The Wage Subsidy Programme ("WSP") announced under the Pakej Rangsangan Ekonomi Prihatin Rakyat (Prihatin) by the Malaysia Government amounted to nil (31.12.2020: RM843,600) for the financial year ended 31 December 2021. The WSP was introduced by the government to assist employers who are economically impacted as a result of Covid-19 to ensure the employer can continue their operation and prevent the workers from losing their jobs.

8 STAFF COSTS

	Group		Company	
	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Salaries, wages, bonus and other emoluments	18,326,412	17,999,053	103,400	56,200
Directors fees	162,000	162,000	162,000	162,000
Social security contributions	213,124	220,996	–	–
Defined contribution plans	1,217,633	1,291,006	–	–
Other benefits	510,939	245,198	–	–
	20,430,108	19,918,253	265,400	218,200

Included in staff costs is aggregate amount of remuneration received and receivable by the Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Salaries, bonus and other emoluments	1,492,568	1,437,646	103,400	56,200
Directors fees	162,000	162,000	162,000	162,000
Defined contribution plans	112,683	123,727	–	–
Social security contributions	3,033	1,543	–	–
	1,770,284	1,724,916	265,400	218,200

9 TAXATION

	Group		Company	
	31.12.2021 RM	Restated 31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Tax expenses recognised in profit or loss				
- Current tax	3,194,025	2,685,416	127,652	41,243
- Under/(Over) provision in prior years	627,279	(530,224)	64,627	(263)
	3,821,304	2,155,192	192,279	40,980
Deferred tax				
- Origination and reversal of temporary differences	119,236	288,431	–	–
	119,236	288,431	–	–
	3,940,540	2,443,623	192,279	40,980

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	31.12.2021 RM	Restated 31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Profit before taxation	11,657,412	7,569,922	3,426,976	5,396,771
At Malaysian statutory tax rate of 24% (31.12.2020: 24%)	2,797,779	1,816,781	822,474	1,295,225
Tax effects of:				
Expenses not deductible for tax purposes	725,500	2,214,697	120,578	36,618
Income not subject to tax	(211,761)	(596,810)	(815,400)	(1,290,600)
Under/(over) provision of taxation in prior years	627,279	(530,224)	64,627	(263)
Utilisation of reinvestment allowance	(175,103)	(460,821)	–	–
Reversal of temporary differences recognised in prior year	176,846	–	–	–
	3,940,540	2,443,623	192,279	40,980

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9 TAXATION (CONT'D)

Under the Malaysia Finance Act 2021 which was gazetted on 31 December 2021, the Group's unutilised tax losses can be carried forward for 10 (31.12.2020: 7) consecutive years of assessment. as below:

	Group	
	31.12.2021 RM	31.12.2020 RM
Unutilised tax losses to be carried forward until:		
- Year of assessment ("YA") 2029 (31.12.2020: YA 2026)	278,689	278,689

10 EARNINGS PER SHARE ("EPS")

Basic EPS of the Group is calculated by dividing the profit attributable to the owners of the Company by the weighted average numbers of ordinary shares in issue during the financial year.

	Group	
	31.12.2021 RM	Restated 31.12.2020 RM
Profit attributable to owners of the parent	7,716,872	5,126,299
Weighted average number of ordinary shares in issue	160,000,000	160,000,000
Adjusted for:		
Less: Treasury shares	(1,418,900)	(1,418,900)
	158,581,100	158,581,100
Basic earnings per ordinary shares (in sen)	4.87	3.23

Diluted earnings per share

The Group has no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery RM	Motor vehicles RM	Office equipment and computers RM	Furniture and fittings RM	Air-conditioners RM	Electrical installation and renovation RM	Factory equipment RM	Signboard RM	Total RM
Cost									
At 1 January 2021	38,755,685	4,911,913	1,643,961	1,706,884	100,425	2,526,340	7,012,813	17,023	56,675,044
Additions	576,090	55,794	207,045	3,090	3,826	339,081	183,148	–	1,368,074
Disposals	(77,624)	(45,000)	–	–	–	–	–	–	(122,624)
At 31 December 2021	39,254,151	4,922,707	1,851,006	1,709,974	104,251	2,865,421	7,195,961	17,023	57,920,494
Accumulated depreciation									
At 1 January 2021	26,161,071	4,569,335	1,324,629	1,661,340	46,817	1,575,818	5,154,158	16,817	40,509,985
Charge for the financial year	1,752,850	276,114	80,805	11,652	7,300	163,468	374,493	201	2,666,883
Disposals	(64,686)	(45,000)	–	–	–	–	–	–	(109,686)
At 31 December 2021	27,849,235	4,800,449	1,405,434	1,672,992	54,117	1,739,286	5,528,651	17,018	43,067,182
Carrying amount									
At 31 December 2021	11,404,916	122,258	445,572	36,982	50,134	1,126,135	1,667,310	5	14,853,312

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Plant and machinery RM	Motor vehicles RM	Office equipment and computers RM	Furniture and fittings RM	Air-conditioners RM	Electrical installation and renovation RM	Factory equipment RM	Signboard RM	Total RM
Cost									
At 1 January 2020	38,798,905	5,385,052	1,573,104	1,698,934	93,425	2,356,990	6,559,844	17,023	56,483,277
Additions	555,548	–	84,568	7,950	7,000	169,350	628,485	–	1,452,901
Disposals	(557,768)	(354,380)	(11,972)	–	–	–	(9,116)	–	(933,236)
Written off	(41,000)	(118,759)	(1,739)	–	–	–	(166,400)	–	(327,898)
At 31 December 2020	38,755,685	4,911,913	1,643,961	1,706,884	100,425	2,526,340	7,012,813	17,023	56,675,044
Accumulated depreciation									
At 1 January 2020	24,895,010	4,606,212	1,245,495	1,646,026	40,074	1,414,905	4,936,124	16,614	38,800,460
Charge for the financial year	1,864,826	436,260	89,485	15,314	6,743	160,913	389,423	203	2,963,167
Disposals	(557,765)	(354,379)	(10,111)	–	–	–	(7,292)	–	(929,547)
Written off	(41,000)	(118,758)	(240)	–	–	–	(164,097)	–	(324,095)
At 31 December 2020	26,161,071	4,569,335	1,324,629	1,661,340	46,817	1,575,818	5,154,158	16,817	40,509,985
Carrying amount									
At 31 December 2020	12,594,614	342,578	319,332	45,544	53,608	950,522	1,858,655	206	16,165,059

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Office equipment	**Company**	
	31.12.2021	**31.12.2020**
	RM	**RM**
Cost		
At 1 January/31 December	15,213	15,213
Accumulated depreciation		
At 1 January/31 December	15,213	15,213
Carrying amount		
At 1 January/31 December	–	–

(a) Impairment assessment for property, plant and equipment

Due to the general economic condition, this has triggered an impairment assessment in accordance with MFRS 136 Impairment of Assets.

The Group has performed an impairment assessment on the carrying amount of the property, plant and equipment. The recoverable amount is determined based on value in use ("VIU"). The Group 's cash-generating units ("CGU") is identified as each operating subsidiary. The VIU is the net present value of the projected future cash flows to be derived from these assets. Projected future cash flows requires management's estimates and judgement to derive future cash flows based on key assumptions. The key assumptions used are:

- Forecasted revenue growth and gross profit margin based on historical track records, future market outlook and management's expectation of market developments due to Covid-19 pandemic. The forecasted revenue growth and gross profit margin is estimated to be 0% to 7% and 6% to 8% (31.12.2020: 5% to 7% and 6% to 8%) respectively;
- The discount rate of 9.21% (31.12.2020: 9.6%) is based on industry average cost of capital with key inputs such as the risk-free rate, market risk premium and industry's debt and equity ratios to market data.

Sensitivity to changes in key assumptions

Changing the assumptions selected by management would significantly affect the Group's results. The Group's review included the sensitivity of key assumptions to the cash flow projections. A decrease by 0.5% in the gross profit margin will result in a decrease of headroom of property plant and equipment by RM617,000. A reasonable possible change in the other key assumptions will not result in significant impact to the headroom. Consequently, there is no impairment loss.

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Purchase of property, plant and equipment are as follows:

	Group	
	31.12.2021 RM	31.12.2020 RM
Cost of property, plant and equipment	1,368,074	1,452,901
Capitalisation of prior year prepaid balance	(173,330)	–
Prepaid balance included under other receivables, deposits and prepayments (classified as non-current assets)	328,025	541,164
	1,522,769	1,994,065

(c) The net carrying amount of property, plant and equipment acquired under hire purchase payables is RM6,803,509 (31.12.2020: RM7,472,707).

12 INVESTMENT PROPERTIES

Group	Leasehold buildings RM	Freehold buildings RM	Total RM
31 December 2021			
Cost			
At 1 January/31 December 2021	6,891,078	3,938,950	10,830,028
Accumulated depreciation			
At 1 January 2021	99,849	174,225	274,074
Charge for the financial year	26,266	82,499	108,765
At 31 December 2021	126,115	256,724	382,839
Accumulated impairment loss			
At 1 January/31 December 2021	3,103,339	897,392	4,000,731
Carrying amount			
At 31 December 2021	3,661,624	2,784,834	6,446,458
Fair value	3,690,000	2,915,000	6,605,000

12 INVESTMENT PROPERTIES (CONT'D)

Group	Leasehold buildings RM	Freehold buildings RM	Total RM
31 December 2020			
Cost			
At 1 January 2020	6,891,078	3,538,950	10,430,028
Reclassification from right-of-use asset	–	400,000	400,000
At 31 December 2020	6,891,078	3,938,950	10,830,028
Accumulated depreciation			
At 1 January 2020	19,970	70,779	90,749
Reclassification from right-of-use asset	–	24,667	24,667
Charge for the financial year	78,779	78,779	158,658
At 31 December 2020	99,849	174,225	274,074
Accumulated impairment loss			
At 1 January 2020	–	–	–
Impairment loss	3,103,339	897,392	4,000,731
At 31 December 2020	3,103,339	897,392	4,000,731
Carrying amount			
At 31 December 2020	3,687,890	2,867,333	6,555,223
Fair value	3,690,000	2,900,000	6,590,000

12 INVESTMENT PROPERTIES (CONT'D)

The fair value of the investment properties were estimated based on valuation by independent external valuer. The fair values of the investment properties are within Level 3 of the fair value hierarchy and are arrived at by reference to market evidence of transaction prices for similar properties and are performed by independent external valuer having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued.

Investment property that is being constructed or developed for future use is classified as investment property.

Rental income and direct operating expenses arising from investment properties during the financial year are as follows:

	Group	
	31.12.2021 RM	31.12.2020 RM
Depreciation of investment properties	108,765	158,658
Fixed rental income from investment properties	536,979	557,216
Impairment loss	–	4,000,731

The investment properties are leased to tenants under operating leases with rental payables on a monthly basis. Minimum lease payment receivables on lease of investment properties are as follows:

	Group	
	31.12.2021 RM	31.12.2020 RM
Within 1 year	471,368	512,979
Between 1 and 2 years	–	380,268
	471,368	893,247

13 RIGHT-OF-USE ASSETS

Group	Leasehold land and buildings RM	Motor vehicles RM	Plant and equipment RM	Total RM
Carrying amount				
At 1 January 2021	21,839,835	1	99,114	21,938,950
Addition	57,476	–	124,400	181,876
Depreciation	(1,145,065)	–	(80,052)	(1,225,117)
Derecognition of lease	(31,899)	–	(21,024)	(52,923)
At 31 December 2021	20,720,347	1	122,438	20,842,786
At 1 January 2020	23,349,970	80,391	252,696	23,683,057
Addition	49,431	–	–	49,431
Depreciation	(1,184,233)	(80,390)	(94,099)	(1,358,722)
Derecognition of lease	–	–	(59,483)	(59,483)
Reclassification to investment properties	(375,333)	–	–	(375,333)
At 31 December 2020	21,839,835	1	99,114	21,938,950

(i) Leasehold land and buildings

Included in the carrying amount of leasehold land and buildings owned by the Group are:

	Group 31.12.2021 RM	Group 31.12.2020 RM
Leasehold land and buildings with unexpired lease period of		
- more than 50 years	268,739	277,137
- less than 50 years	19,709,862	19,972,716
	19,978,601	20,249,853

Leasehold land with an aggregate carrying amount of RM19,709,862 (31.12.2020: RM19,972,716) are pledged as securities for bank borrowings.

13 RIGHT-OF-USE ASSETS (CONT'D)

(ii) The Group leases various leasehold land and buildings, motor vehicles, plant and equipment. Rental contracts are typically made for fixed periods of 2 to 3 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

	Group	
	31.12.2021 RM	31.12.2020 RM
Cash outflows for leases as a lessee:		
Included in net cash from operating activities:		
- Expenses relating to short-term leases (included in rental expenses)	181,050	159,600
- Interest paid on lease liabilities	57,351	99,587
Included in net cash from financing activities:		
- Repayment of lease liabilities	980,183	1,009,664

(iii) Extension options of certain leases are not reflected in measuring lease liabilities because the options are not reasonably certain to be exercised. The table below summarizes potential future rental payments relating to periods following the exercise dates of extension options.

	Lease liabilities recognised (discounted)		Potential future lease not included in lease liabilities (undiscounted)	
	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Carrying amount				
Building	755,520	1,629,153	2,772,000	2,772,000

14 OTHER ASSETS

Other assets consist of financial asset measured at fair value through profit or loss and intangible asset as follow:

	Group 31.12.2021 RM	Group 31.12.2020 RM
Financial asset measured at fair value through profit or loss		
Quoted investment in Malaysia	11,700	12,600
Intangible asset - Membership in a Time-sharing plan		
At 1 January/31 December	19,341	19,341
Accumulated amortisation		
At 1 January	9,027	8,597
Amortisation during the financial year	430	430
At 31 December	9,457	9,027
	9,884	10,314
Carrying amount		
At 31 December	21,584	22,914

15 INVESTMENT IN SUBSIDIARIES

	Company 31.12.2021 RM	Company 31.12.2020 RM
Unquoted shares, at cost – In Malaysia	55,966,425	55,966,425

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15 INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiary companies are as follows:

Name of company	Place of business/Country of incorporation	Effective interest 2021	Effective interest 2020	Principal activities
Wang-Zheng Corporation Sdn. Bhd. *	Malaysia	100	100	Distributor of disposable fibre-based products
Quality Hero Corporation Sdn. Bhd. *	Malaysia	100	100	Manufacturing and distributor of adult and baby diapers, sanitary napkins and its related products
Carefeel Cotton Industries (M) Sdn. Bhd. *	Malaysia	100	100	Manufacturing and distributor of facial cotton and other cotton related products
New Top Win Corporation Sdn. Bhd. *	Malaysia	100	100	Importing, processing and trading of papers
Modern Alpine Sdn. Bhd. *	Malaysia	100	100	Trading of papers and related products
Wonderful Eden Sdn. Bhd. *	Malaysia	100	100	Dormant

* Audited by PricewaterhouseCoopers PLT, Malaysia

16 DEPOSITS WITH INVESTMENT FUND

The deposits with investment fund earn interest at rate of 1.83 % (31.12.2020: 2.15%) per annum.

The deposits with investment fund are held for the purpose of investment rather than for meeting short-term cash commitments and do not meet the criterion to be classified as cash and cash equivalent.

17 DEFERRED TAX (ASSETS)/LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group 31.12.2021 RM	Group 31.12.2020 RM
Deferred tax assets	(1,482,090)	(1,679,845)
Deferred tax liabilities	1,696,847	1,775,366
Deferred tax liabilities/(assets) (net)	214,757	95,521

17 DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

	Group	
	31.12.2021 RM	31.12.2020 RM
At 1 January	95,521	(192,910)
Charged/(credited) to statements of comprehensive income:		
- property, plant and equipment	266,924	(59,967)
- trade receivables	132,881	(16,417)
- inventories	(22,345)	15,299
- other payables	(229,669)	434,827
- contract liabilities	(13,867)	(80,697)
- unabsorbed capital allowances	(14,688)	(4,614)
Recognised in profit or loss	119,236	288,431
At 31 December	214,757	95,521

The movement in deferred tax assets and liabilities of the Group during the financial year are as follows:

	Group	
	31.12.2021 RM	31.12.2020 RM
Deferred tax assets (before offsetting)		
- trade receivables	938,737	1,071,618
- inventories	75,792	53,447
- other payables	910,781	681,112
- contract liabilities	94,564	80,697
- recognised tax losses	66,885	66,885
- unabsorbed capital allowances	35,520	20,832
	2,122,279	1,974,591
Offsetting	(640,189)	(294,746)
Deferred tax assets (after offsetting)	1,482,090	1,679,845
Deferred tax liabilities (before offsetting)		
- property, plant and equipment	2,337,036	2,070,112
	2,337,036	2,070,112
Offsetting	(640,189)	(294,746)
Deferred tax liabilities (after offsetting)	1,696,847	1,775,366

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18 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group	
	Note	31.12.2021 RM	31.12.2020 RM
Non-current			
Deposits	(i)	462,250	455,150
Prepayments	(i)	695,858	541,163
		1,158,108	996,313
Current			
Other receivables		334,152	158,601
Deposits		643,822	98,117
Prepayments		1,096,730	1,250,788
GST receivables		9,749	21,792
		2,084,453	1,529,298
Total		3,242,561	2,525,611

	Company	
	31.12.2021 RM	31.12.2020 RM
Current		
Other receivables	–	1,409
Prepayments	200	200
GST receivables	–	12,043
	200	13,652

(i) Being the deposits for rental and utilities and prepayments for purchase of property, plant and equipment that were not expected to be recognise within 12 months after the reporting period.

19 INVENTORIES

	Group 31.12.2021 RM	Group 31.12.2020 RM
Raw materials	11,331,195	11,595,625
Packing materials	2,107,468	1,846,884
Finished goods	31,448,840	34,708,649
Total	44,887,503	48,151,158

	Group 31.12.2021 RM	Group 31.12.2020 RM
Recognised as cost of sales in profit or loss:		
Inventories recognised as cost of sales	193,252,348	211,577,666
Allowance for obsolete stock	342,769	–
Inventories written down	–	331,112
Reversal of inventories written down	–	(69,903)

The Group writes down the obsolete or slow-moving inventories based on assessments of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered.

The reversal of inventories written down was made during the financial year when the related inventories were sold above their carrying amounts.

20 TRADE RECEIVABLES

	Group	
	31.12.2021 RM	**31.12.2020 RM**
At 1 January	50,143,984	53,977,324
Less: Allowance for impairment loss	(3,976,328)	(3,815,678)
At 31 December	46,167,656	50,161,646

The Group's normal trade credit terms range from 30 to 90 days (31.12.2020: 30 to 90 days). Other credit terms are assessed and approved on a case to case basis.

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

Movements in the allowance for impairment loss of trade receivables are as follows:

Group	**Credit Impaired RM**	**Lifetime Allowance RM**	**Total RM**
31.12.2021			
At 1 January	3,580,423	235,255	3,815,678
Impairment loss recognised	751,473	–	751,473
Impairment loss reversed	(371,587)	(177,673)	(549,260)
Write-off	(41,563)	–	(41,563)
At 31 December	3,918,746	57,582	3,976,328
31.12.2020			
At 1 January	3,516,015	880,661	4,396,676
Impairment loss recognised	1,019,582	–	1,019,582
Impairment loss reversed	(609,334)	(645,406)	(1,254,740)
Write-off	(345,840)	–	(345,840)
At 31 December	3,580,423	235,255	3,815,678

The loss allowance account in respect of trade receivables is used to record loss allowance. When the Group has no reasonable prospects of recovering the amount, the irrecoverable amount will be written off against the receivable directly.

20 TRADE RECEIVABLES (CONTINUED)

The following table contains and analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's and the Company's maximum exposure to credit risk on these assets:

	Neither past due nor impaired RM	1 to 30 days past due RM	31 to 60 days past due RM	More than 60 days past due RM	Total RM
31.12.2021					
Expected loss rate	0.07%	0.06%	0.10%	36.48%	7.93%
Trade receivables	25,280,937	10,499,132	3,536,473	10,827,442	50,143,984
Less: Allowance for impairment loss	(16,559)	(6,645)	(3,670)	(3,949,454)	(3,976,328)
	25,264,378	10,492,487	3,532,803	6,877,988	46,167,656
31.12.2020					
Expected loss rate	0.18%	0.28%	0.39%	35.23%	7.07%
Trade receivables	26,420,394	11,430,223	5,580,623	10,546,084	53,977,324
Less: Allowance for impairment loss	(46,657)	(31,786)	(22,012)	(3,715,223)	(3,815,678)
	26,373,737	11,398,437	5,558,611	6,830,861	50,161,646

21 AMOUNTS DUE FROM SUBSIDIARIES

	Note	Company 31.12.2021 RM	Company 31.12.2020 RM
Advance to subsidiary	(i)	88,480	–
Dividends receivable from subsidiaries		3,397,500	5,377,500
		3,485,980	5,377,500

(i) These amounts represent unsecured, interest free, advances and are repayable on demand.

22 FIXED DEPOSITS WITH LICENSED BANKS

The effective interest rates of the fixed deposits with licensed banks of the Group and of the Company as at the end of the reporting period are 2.08%- 2.35% (31.12.2020: 2.35%-3.90%) per annum respectively.

The maturity periods of the fixed deposits with licensed banks of the Group and of the Company are 365 days (31.12.2020: 365 days).

23 SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Issued and fully paid:				
Ordinary shares:				
At 1 January/31 December	160,000,000	160,000,000	86,676,846	86,676,846

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Company, all rights are suspended until those shares are reissued.

24 TREASURY SHARES

As at 31 December 2021, the total number of treasury shares held by the Company is 1,418,900 (31.12.2020: 1,418,900) ordinary shares.

The repurchase transactions were financed by internally generated funds. The repurchased shares were being held as treasury shares and carried at cost in accordance with the requirement of Section 127 of the Companies Act 2016. Treasury shares had no rights to voting, dividends and participation in other distribution.

25 LEASE LIABILITIES

	Group	
	31.12.2021 RM	31.12.2020 RM
Presented as:		
Non-current	81,755	793,923
Current	833,025	972,533
	914,780	1,766,456
Present value of payments		
Within one year	833,025	972,533
Between one to two years	81,755	793,923
	914,780	1,766,456

26 BANK BORROWINGS

	Group	
	31.12.2021 RM	31.12.2020 RM
Bankers' acceptance	57,134,237	48,494,487
Analysed as:		
Repayable within twelve months	57,134,237	48,494,487

The above credit facilities obtained from licensed banks are denominated in RM and USD secured by the following:

(a) first party legal charge over the certain leasehold land and buildings of the Group as disclosed in Note 13(ii); and
(b) corporate guarantee by the Company and a subsidiary company.

Ranges of interest rates per annum are as follows:

	Group	
	31.12.2021 %	31.12.2020 %
Bankers' acceptance	2.06 – 3.48	1.60 – 2.89

27 HIRE PURCHASE PAYABLES

	Group 31.12.2021 RM	Group 31.12.2020 RM
<u>Minimum finance lease payments</u>		
Within one year	1,405,591	1,405,591
Between one to two years	1,405,591	1,405,591
Between two to five years	1,522,724	2,928,316
	4,333,906	5,739,498
Less: Future finance charges	(331,556)	(577,748)
Present value of finance lease liabilities	4,002,350	5,161,750
<u>Present value of payments</u>		
Within one year	1,227,315	1,159,400
Between one to two years	1,295,230	1,227,315
Between two to five years	1,479,805	2,775,035
	4,002,350	5,161,750
<u>Analysed as:</u>		
Repayable within twelve months	1,227,315	1,159,400
Repayable after twelve months	2,775,035	4,002,350
	4,002,350	5,161,750

The Group has plant and machinery acquired under hire purchase agreement. The rights to the assets will revert to the financier only in the event of a default of the terms under these agreements.

The hire purchase payables of the Group at the end of the reporting period bear effective interest rate at 5.28% per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

28 TRADE PAYABLES

Credit terms of trade payables of the Group ranged from 60 to 90 days (31.12.2020: 60 to 90 days) depending on the terms of the contracts.

The trade payables balance consisted of the amount due to a fellow subsidiary of the ultimate holding company amounting to RM1,084,235 (31.12.2020: RM836,497). The credit term is 60 days (31.12.2020: 60 days).

29 OTHER PAYABLES

	Group	
	31.12.2021 RM	31.12.2020 RM
Other payables	1,610,201	1,684,928
Accrued payroll expenses	2,006,965	2,364,048
Other accruals	720,109	584,682
Sales tax payables	354,752	344,153
Refund liabilities	1,493,721	1,244,704
	6,185,748	6,222,515

The movement in refund liabilities of the Group during the financial year is as follows:

	Group	
	31.12.2021 RM	31.12.2020 RM
As 1 January	1,244,704	–
Provision during the financial year	1,801,116	2,195,140
Reversal during the financial year	(1,552,099)	(950,436)
As 31 December	1,493,721	1,244,704

	Company	
	31.12.2021 RM	31.12.2020 RM
Accruals	225,105	183,316

30 PROVISION

	Group		
	31.12.2021 RM	Restated 31.12.2020 RM	Restated 1.1.2020 RM
As 1 January	3,158,422	2,074,531	–
Provision during the financial year	950,172	1,083,891	2,074,531
As 31 December	4,108,594	3,158,422	2,074,531

Provision for sales tax is recognised when the Group has a present legal obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

31 CONTRACT LIABILITIES

	Group	
	31.12.2021 RM	31.12.2020 RM
At 1 January	336,238	–
Increases due to cash received, excluding amounts recognised as revenue during the year	344,971	336,238
Revenue recognised that was included in the contract liability balance at the beginning of the year	(336,238)	–
At 31 December	344,971	336,238

32 DIVIDENDS

	Group and Company	
	31.12.2021 RM	31.12.2020 RM
In respect of the financial year ended 31 December 2020		
- First and final single tier tax exempt dividend of RM0.03 per ordinary share, paid on 15 July 2021	4,757,433	–
In respect of the financial year ended 31 December 2019		
- First and final single tier tax exempt dividend of RM0.045 per ordinary share, paid on 15 October 2020	–	7,136,150

At the forthcoming Annual General Meeting, a first and final single tier tax exempt dividend of RM0.02 per ordinary share in respect of the financial year ended 31 December 2021 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

33 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(a) The reconciliation of liabilities arising from financing activities are as follows:

Group	Bank borrowings RM	Lease liabilities RM	Hire purchase payables RM	Total RM
31.12.2021				
At 1 January	48,494,487	1,766,456	5,161,750	55,422,693
Cash flows:				
Drawdown of borrowings - bankers' acceptance	132,216,446	–	–	132,216,446
Repayment of borrowings - bankers' acceptance	(123,576,696)	–	–	(123,576,696)
Repayment of hire purchase payables	–	–	(1,159,400)	(1,159,400)
Repayment of interest (within operating activities)	(1,433,894)	(57,351)	(246,192)	(1,737,437)
Repayments of lease	–	(980,183)	–	(980,183)
	7,205,856	(1,037,534)	(1,405,592)	4,762,730
Non-cash changes				
Finance charges recognised in profit or loss	1,433,894	57,351	246,192	1,737,437
Addition of lease	–	128,507	–	128,507
At 31 December	57,134,237	914,780	4,002,350	62,051,367

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33 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

(a) The reconciliation of liabilities arising from financing activities are as follows (continued):

Group (Cont'd)	Bank borrowings RM	Lease liabilities RM	Hire purchase payables RM	Total RM
31.12.2020				
At 1 January	55,741,771	2,835,603	–	58,577,374
Cash flows:				
Drawdown of borrowings - bankers' acceptance	149,776,261	–	–	149,776,261
Repayment of borrowings - bankers' acceptance	(157,023,545)	–	–	(157,023,545)
Drawdown of hire purchase payables	–	–	6,164,872	6,164,872
Repayment of hire purchase payables	–	–	(1,003,122)	(1,003,122)
Repayment of interest (within operating activities)	(1,984,992)	(99,587)	(286,643)	(2,371,222)
Repayments of lease	–	(1,009,664)	–	(1,009,664)
	(9,232,276)	(1,109,251)	4,875,107	(5,466,420)
Non-cash changes				
Finance charges recognised in profit or loss	1,984,992	99,587	286,643	2,371,222
Derecognition of lease	–	(59,483)	–	(59,483)
At 31 December	48,494,487	1,766,456	5,161,750	55,422,693

34 COMMITMENTS

	Group	
	31.12.2021 RM	31.12.2020 RM
Capital expenditure		
Authorised and contracted for:		
- Property, plant and equipment	476,245	678,980

35 RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group or to the Company if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the group entities directly or indirectly.

The Company has related party relationships with its subsidiary companies, companies where certain directors of the Company have financial interest and key management personnel.

The related parties and its relationship with the Group are as follows:

Name of the companies	Relationship
Hengan International Group Company Limited	Ultimate holding company
Hengan Mega Jumbo Investments Limited	Intermediate holding company
Hengan (Malaysia) Investments Company Limited	Immediate holding company
Anhai (Macao Commercial Offshore) Limited	Fellow subsidiary of the ultimate holding company
Anhai International Trading Limited	Fellow subsidiary of the ultimate holding company
Fujian Hengan Holding Xiamen Business Trade Co.,Ltd	Fellow subsidiary of the ultimate holding company

35 RELATED PARTY DISCLOSURES (CONY'D)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. In addition to the related party balances disclosed in Note 21 in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	31.12.2021 RM	31.12.2020 RM
Group		
Lease expenses payable to a company in which certain Directors of the Company have substantial financial interest	–	924,000
Transactions with fellow subsidiaries of the ultimate holding company		
- Purchase of raw materials	4,484,286	3,564,329
- Purchase of finished goods	331,531	5,141,342
Transactions with intermediate holding company		
- Purchase of raw materials	524,788	1,228,044
Company		
Gross dividend income receivable/received from subsidiary companies	3,397,500	5,377,500

(c) Compensation of key management personnel

The key management personnel of the Group and of the Company are Directors of the Company and its subsidiary companies.

The compensations paid to key management personnel during the financial year are disclosed in Note 8.

36 SEGMENT INFORMATION

The Group has three reporting segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports. The following summary describes the operations in each of the Group's reportable segments which identified based on its products line:

Processed papers products	Processed and distributed papers include wood-free paper and art paper.
Disposable fibre-based products	Manufacture and distribute a wide range of disposable adult and baby diapers, sanitary protection, tissue products and cotton products.
Investment holding and others	Investment holding and others.

The accounting policies of the segments are consistent with the accounting policies of the Group.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group Chief Executive Officer, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

<u>Segment assets</u>

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

<u>Segment liabilities</u>

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Officer. Hence no disclosure is made on segment liability.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

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36 SEGMENT INFORMATION (CONT'D)

31.12.2021	Processed papers products RM	Disposable fibre-based products RM	Investment holding and others RM	Total operation RM
Revenue				
Total revenue	150,708,356	74,685,550	–	225,393,906
Inter-segment	(101,608)	(3,377)	–	(104,985)
External customer	150,606,748	74,682,173	–	225,288,921
Results				
Segment results	9,300,710	6,917,533	(542,649)	15,675,594
Interest income	855,924	750,038	567,334	2,173,296
Finance costs	(1,378,113)	(359,324)	–	(1,737,437)
Depreciation and amortisation	(598,657)	(3,402,538)	–	(4,001,195)
Other non-cash items	(220,677)	(232,169)	–	(452,846)
Profit before taxation	7,959,187	3,673,540	24,685	11,657,412
Taxation	(1,999,819)	(1,748,442)	(192,279)	(3,940,540)
Profit for the financial year	5,959,368	1,925,098	(167,594)	7,716,872
Segment assets	141,147,951	119,305,598	16,157,124	276,610,673
Additions to non-current assets	235,611	1,476,134	–	1,711,745
Non-cash expenses/(income)				
Fair value loss on financial asset	900	–	–	900
Loss on disposal of property, plant and equipment	–	938	–	938
Impairment loss on trade receivables, in net	126,683	75,530	–	202,213
Allowance for obsolete stock	93,094	249,675	–	342,769
Unrealised gain on foreign exchange	–	(93,974)	–	(93,974)
	220,677	232,169	–	452,846

36 SEGMENT INFORMATION (CONT'D)

Restated 31.12.2020	Processed papers products RM	Disposable fibre-based products RM	Investment holding and others RM	Total operation RM
Revenue				
Total revenue	164,370,497	78,370,283	–	242,740,780
Inter-segment	(77,125)	(11,487)	–	(88,612)
External customer	164,293,372	78,358,796	–	242,652,168
Results				
Segment results	7,750,050	8,301,962	(440,952)	15,611,060
Interest income	1,259,399	1,117,291	454,698	2,831,388
Finance costs	(1,931,370)	(439,852)	–	(2,371,222)
Depreciation and amortisation	(829,789)	(3,651,188)	–	(4,480,977)
Other non-cash items	(1,596,264)	(2,424,063)	–	(4,020,327)
Profit before taxation	4,652,026	2,904,150	13,746	7,569,922
Taxation	(1,813,289)	(589,355)	(40,979)	(2,443,623)
Profit for the financial year	2,838,737	2,314,795	(27,233)	5,126,299
Segment assets	128,831,373	109,751,040	29,926,768	268,509,181
Additions to non-current assets	76,931	1,567,985	–	1,644,916
Non-cash expenses/(income)				
Fair value loss on financial asse t	3,150	–	–	3,150
Gain on disposal of property, plant and equipment	(50,798)	(48,767)	–	(99,565)
Reversal of impairment loss on trade receivables	(63,611)	(171,547)	–	(235,158)
Reversal of inventories written down	–	(69,903)	–	(69,903)
Inventories written down	–	331,112	–	331,112
Impairment loss on investment properties	1,707,523	2,293,208	–	4,000,731
Unrealised loss on foreign exchange	–	89,960	–	89,960
	1,596,264	2,424,063	–	4,020,327

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(CONT'D)

36 SEGMENT INFORMATION (CONT'D)

Geographical segments

Revenue based on the geographical location of customers are as follows:

	Revenue	
	31.12.2021 RM	31.12.2020 RM
Malaysia	208,744,695	224,449,636
Asia (other than Malaysia)	16,544,226	18,202,532
	225,288,921	242,652,168

37 FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value through profit or loss ("FVTPL") or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group	At amortised cost RM	At FVTPL RM	Total RM
Financial assets			
31.12.2021			
Other assets	–	11,700	11,700
Trade receivables	46,167,656	–	46,167,656
Other receivables (excluding prepayments and GST receivables)	1,440,224	–	1,440,224
Fixed deposits with licensed banks	12,587,376	–	12,587,376
Cash and bank balances	123,927,573	–	123,927,573
Deposits with investment fund	–	261	261
Total financial assets	184,122,829	11,961	184,134,790

37 FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (Cont'd)

Group	At amortised cost RM	At FVTPL RM	Total RM
Financial assets (Cont'd)			
31.12.2020			
Other assets	–	12,600	12,600
Trade receivables	50,161,646	–	50,161,646
Other receivables (excluding prepayments and GST receivables)	711,868	–	711,868
Fixed deposits with licensed banks	12,418,653	–	12,418,653
Cash and bank balances	44,183,538	–	44,183,538
Deposits with investment fund	–	62,378,160	62,378,160
Total financial assets	107,475,705	62,390,760	169,866,465

	31.12.2021 RM	31.12.2020 RM
Financial liabilities		
Measured at amortised cost:		
Trade payables	5,575,104	7,926,341
Other payables (excluding sales tax payables)	5,830,996	5,878,362
Lease liabilities	914,780	1,766,456
Hire purchase payables	4,002,350	5,161,750
Bank borrowings	57,134,237	48,494,487
Total financial liabilities	73,457,465	69,227,396

37 FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (Cont'd)

	31.12.2021 RM	31.12.2020 RM
Company		
Financial assets		
Measured at amortised cost:		
Other receivables (excluding prepayments and GST receivables)	–	1,409
Amount due from subsidiary companies	3,485,980	5,377,500
Fixed deposits with licensed banks	12,587,376	12,418,653
Cash and bank balances	17,742,153	17,420,571
Total financial assets	33,815,509	35,218,133
Financial liabilities		
Measured at amortised cost		
Other payables	225,105	183,316

(b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operations whilst managing its credit, liquidity, foreign currency, interest rate and market price risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policies are not to engage in speculative transactions.

The following sections provide details regarding the Group's and the Company's exposures to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

37 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's exposure to credit risk arises principally from trade receivables, other receivables and deposits. The Company's exposure to credit risks arises from amounts due from subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. For cash and bank balances and fixed deposits with licensed banks, the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group has adopted a policy of only dealing with creditworthy counterparties. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

Exposure to credit risk

At the reporting date, the Group and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group has low concentration of credit risk as most of their trade receivables are due from a diverse base of customers.

Impairment of financial assets

(i) Trade receivables

ECL for trade receivables are measured using the simplified approach. The expected loss rates are based on the payment profiles of sales of two preceeding years before the current financial year and the corresponding historical credit losses experienced within this period. The Group assesses the effect of the current and forward-looking information and adjusts the historical loss rate if it is considered material. The Group has identified the population in Malaysia and pulp paper price in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

The reconciliation of allowance for impairment is disclosed in Note 20.

(ii) Other receivables, deposits, amounts due from subsidiaries and financial guarantees

The Group and the Company uses three categories to reflect their credit risk and how the loss allowance is determined for other receivables and deposits which are subject to expected credit losses under the 3-stage general approach.

37 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

Impairment of financial assets (Cont'd)

A summary of the assumptions which underpin the Group and the Company's expected credit losses model is as follows:

Category	Company's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and principal repayments are past due more than 90 days.	Lifetime ECL
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

Other receivables and deposits

As at the end of the reporting year, the deposits are considered to have low credit risk as they have low risk of default as it is mainly comprise of security and utility deposit for the premise rented, and thus the loss allowance recognised during the financial year was limited to 12 months expected loss. In view of insignificant credit risk and low risk of default, the Company believes that the expected credit loss under the 12 months expected losses method is Nil (31.12.2020: Nil).

Amounts due from subsidiaries

The Company provides advances to subsidiaries. The Group monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Financial guarantees

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirement of MFRS 9. At the end of the reporting period, the financial guarantees of RM57,134,237 (31.12.2020: RM48,494,487) were provided to certain financial institutions for credit facilities obtained and utilised by its subsidiaries.

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligation and hence, does not expect significant credit losses arising from these guarantees.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

37 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company finance their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

Group	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	Total contractual cash flows RM	Total carrying amount RM
31.12.2021					
Trade payables	5,575,104	–	–	5,575,104	5,575,104
Other payables	6,185,748	–	–	6,185,748	6,185,748
Lease liabilities	851,707	27,600	59,800	939,107	914,780
Hire purchase payables	1,405,591	1,405,591	1,522,724	4,333,906	4,002,350
Bank borrowings	57,149,631	–	–	57,149,631	57,134,237
Total financial liabilities	71,167,781	1,433,191	1,582,524	74,183,496	73,812,219
31.12.2020					
Trade payables	7,926,341	–	–	7,926,341	7,926,341
Other payables	6,222,515	–	–	6,222,515	6,222,515
Lease liabilities	1,031,495	803,900	–	1,835,395	1,766,456
Hire purchase payables	1,405,591	1,405,591	2,928,316	5,739,498	5,161,750
Bank borrowings	48,784,276	–	–	48,784,276	48,494,487
Total financial liabilities	65,370,218	2,209,491	2,928,316	70,508,025	69,571,549
Company					
31.12.2021					
Other payables	225,105	–	–	225,105	225,105
Financial guarantees*	57,149,631	–	–	57,149,631	57,134,237
Total financial liabilities	57,374,736	–	–	57,374,736	57,359,342
31.12.2020					
Other payables	183,316	–	–	183,316	183,316
Financial guarantees*	48,784,276	–	–	48,784,276	48,494,487
Total financial liabilities	48,967,592	–	–	48,967,592	48,677,803

* The maximum amount of the financial guarantees issued to the banks for subsidiaries' banking facilities is limited to the amount utilised by the subsidiaries. The Company believes that the liquidity risk in respect of the financial guarantees is minimal as it is unlikely that the subsidiaries will not make payment to the banks when due.

37 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(a) Foreign currency exchange risk

The Group is exposed to foreign currency risk on transaction that are denominated in foreign currencies primarily United States Dollar ("USD") and Singapore Dollar ("SGD").

The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in		
Group	**USD RM**	**SGD RM**	**Total RM**
31.12.2021			
Trade and other receivables	1,344,585	690,264	2,034,849
Cash and bank balances	2,883,204	–	2,883,204
Trade and other payables	(945,709)	–	(945,709)
Bank borrowings	(2,199,072)	–	(2,199,072)
	1,083,008	690,264	1,773,272
31.12.2020			
Trade and other receivables	1,858,992	1,078,483	2,937,475
Cash and bank balances	2,395,123	–	2,395,123
Trade and other payables	(1,127,029)	–	(1,127,029)
Bank borrowings	(1,835,593)	–	(1,835,593)
	1,291,493	1,078,483	2,369,976

37 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency exchange risk (Cont'd)

Sensitivity analysis for foreign currency exchange risk

The following table demonstrates the sensitivity of the Group's profit after tax/ equity to a reasonably possible change in USD and SGD exchange rates against Malaysia Ringgit ("MYR"), with other variables held constant.

Change in currency rate		Effect on profit after tax/equity 31.12.2021 RM	31.12.2020 RM
USD	Strengthened 3.96%	42,887	–
	Weakened 3.96%	(42,887)	–
SGD	Strengthened 1.64%	11,320	–
	Weakened 1.64%	(11,320)	–
USD	Strengthened 1.86%	–	24,002
	Weakened 1.86%	–	(24,002)
SGD	Strengthened 0.05%	–	539
	Weakened 0.05%	–	(539)

(b) Interest rate risk

The Group's deposits with investment fund is exposed to a risk of change in their fair value due to changes in interest rates.

The Group manage the interest rate risk of its deposits with investment fund by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits. The interest rate risk exposure is assessed as not material.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

37 FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

Fair value of investment properties carried at cost are disclosed in Note 12.

The table below provides the fair value measurement hierarchy of the Group's assets.

		Fair value measuring using		
	Note	Level 1 RM	Level 2 RM	Level 3 RM
31.12.2021				
Asset measured at fair value				
- other assets	14	11,700	–	–
- deposits with investment fund	16	261	–	–
31.12.2020				
Asset measured at fair value				
- other assets	14	12,600	–	–
- deposits with investment fund	16	62,378,160	–	–

(i) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value for non-derivative financial instruments, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iii) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

38 FINANCIAL GUARANTEES

	Group		Company	
	31.12.2021 RM	31.12.2020 RM	31.12.2021 RM	31.12.2020 RM
Corporate guarantees to licensed banks for credit facilities granted to subsidiary companies				
- Amount utilised	–	–	57,134,237	48,494,487

39 CAPITAL MANAGEMENT

The Group's management manages its capital to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital managed at Group level, which comprises shareholders' funds, cash and cash equivalents, bank borrowings and hire purchase payables as shown below.

	Group	
	31.12.2021	**31.12.2020**
	RM	**RM**
Shareholders' funds	196,274,445	193,315,006
Cash and cash equivalents	123,927,573	44,183,538
Bank borrowings	57,134,237	48,494,487
Hire purchase payables	4,002,350	5,161,750
	381,338,605	291,154,781

The gearing ratios at end of the reporting period are as follows:

Total bank borrowings and hire purchase payables	61,136,587	53,656,237
Add: Lease liabilities	914,780	1,766,456
Less: Cash and bank balances	(123,927,573)	(56,602,191)
Net debt	(61,876,206)	(1,179,498)
Total equity	196,274,445	193,315,006
Gearing ratio	*	*

* The gearing ratio is less than zero as the Group has excess cash and bank balances over net debts.

There were no changes in the Group's approach to capital management during the financial year.

40 PRIOR YEAR ADJUSTMENTS

During the financial year ended 31 December 2021, the Royal Malaysian Customs Department ("Customs") carried out a review of prior years' sales tax ("ST") submissions on a subsidiary of the Group. The Customs had on 13 January 2022 issued a letter of findings, and subsequently on 14 March 2022 issued a letter of demand to the Group on the additional ST payments of RM3,158,422 pertaining to purchases of raw materials, components and packaging materials made from outside Malaysia for Year of Assessment ("YA") 2018 to YA2020. This liability was disclosed as a contingent liability in Note 41 to the financial statements for the financial year ended 31 December 2020 as the amount of the liability could not be reliably estimated as at the date which the financial statements for the financial year ended 31 December 2020 were authorised for issue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021
(CONT'D)

40 PRIOR YEAR ADJUSTMENTS (CONT'D)

For the total additional ST payments of RM3,158,422, RM2,074,531 relate to YA2018 and YA2019 and the balance of RM1,083,891 relate to YA2020. Accordingly, in the Group's financial statements for the financial year ended 31 December 2021, the Group has restated its comparative amounts as at 1 January 2020 and 31 December 2020 respectively as follows:

i. As at 1 January 2020, the Group has recorded a provision of RM2,074,531 and an income tax recoverable of RM497,887 as the additional ST payables are income tax deductible. This resulted in a net reduction of RM1,576,644 of retained earnings as at 1 January 2020.

ii. For the financial year ended 31 December 2020, on the basis that the additional ST are costs directly attributable to the acquisition of raw materials, components and packaging materials which were used to manufacture the finished goods which in turn were sold during 2020, the Group has recorded the additional ST of RM1,083,891as a provision with the corresponding adjustment against cost of sales. An income tax credit of RM260,134 was also recognised in view that the additional ST payables are income tax deductible. Consequently, the provision for ST, tax recoverable and retained earnings as at 31 December 2020 were restated to RM3,158,422, RM2,328,424 and RM107,287,738 respectively.

The effect of the above prior years' adjustments to the statements of financial position, statements of comprehensive income and statements of cash flows for the prior financial years are as follows:

Statements of financial position:

		Group	
	As previously reported RM	Prior year adjustments RM	As restated RM
As of 1 January 2020			
Tax recoverable	203,746	497,887	701,633
Provision	–	2,074,531	2,074,531
Retained earnings	110,874,233	(1,576,644)	109,297,589
As of 31 December 2020			
Tax recoverable	1,570,403	758,021	2,328,424
Provision	–	3,158,422	3,158,422
Retained earnings	109,688,139	(2,400,401)	107,287,738

Statements of comprehensive income:

		Group	
	As previously reported RM	Prior year adjustments RM	As restated RM
As of 31 December 2020			
Cost of sales	(210,754,984)	(1,083,891)	(211,838,875)
Profit before taxation	8,653,813	(1,083,891)	7,569,922
Taxation	(2,703,757)	260,134	(2,443,623)

40 PRIOR YEAR ADJUSTMENTS (CONT'D)

Statements of cash flows:

	As previously reported RM	Group Prior year adjustments RM	As restated RM
For financial year ended 31 December 2020			
Profit before taxation	8,653,813	(1,083,891)	7,569,922
Adjustments for:			
Provision for sales tax	–	1,083,891	1,083,891

Notes to the financial statements as of 1 January 2020:

	As previously reported RM	Group Prior year adjustments RM	As restated RM
Note 30: Provision			
Provision	–	2,074,531	2,074,531

Notes to the financial statements as of 31 December 2020:

	As previously reported RM	Group Prior year adjustments RM	As restated RM
Note 7: Profit before taxation			
Provision for sales tax	–	1,083,891	1,083,891
Note 9: Taxation			
Taxation	2,703,757	(260,134)	2,443,623
Note 10: Earnings per shares			
Profit attributable to owners of the parent	5,950,056	(823,757)	5,126,299
Basic/diluted earnings per ordinary share (in sen)	3.75	(0.52)	3.23
Note 30: Provision			
Provision	–	3,158,422	3,158,422
Note 36: Segment information			
Disposable fibre-based products:			
Segment results	9,385,853	(1,083,891)	8,301,962
Profit before taxation	3,988,041	(1,083,891)	2,904,150
Taxation	(849,489)	260,134	(589,355)
Profit for the financial year	3,138,552	(823,757)	2,314,795
Segment assets	108,993,019	758,021	109,751,040

41 CONTINGENT LIABILITIES

In the previous financial year 2020, a subsidiary of the Group received queries from the Customs authorities on prior years' sales and service tax submissions. As the impact to the financial statements cannot be reliably estimated, it was disclosed in the audited financial statements for the financial year ended 31 December 2020.

For the financial year 2021, there is no contingent liability.

42 DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 13 April 2022.

LIST OF PROPERTIES
AS AT 31 DECEMBER 2021

No.	Location	Aprox. age of building (Years)	Tenure/Date of expiry of lease	Description and existing use	Land area (sqm)	Audited Net book value @ 31.12.2021 (RM)
	Wang-Zheng Corporation Sdn Bhd					
1.	Lot No. 8 & 10, Jalan Pusat BCH 1C, Bandar Country Homes, 48000 Rawang, Selangor. (“Lot No. 8 & 10” held under HS (D) 36700 & 36701, PT140 & 141, Bandar Kundang, Daerah Gombak, Selangor)	23	99 years lease expiring on 18.09.2089	Two (2) units of intermediate three (3) storey shophouse using by Wang-Zheng Group	286	268,739
2.	Lot No. 10901, Pekan Sungai Gadut ,Daerah Seremban, Negeri Sembilan Darul Khusus (No. 11, Jalan TJ1/4, Kawasan Industri Tuanku Jaafar 1, 71450 Sungai Gadut, Seremban, Negeri Sembilan Darul Khusus)	10	Freehold	One and half storey terrace factory Rented out	205	359,333
	Carefeel Cotton Industries (M) Sdn Bhd					
3.	B-G-09, SUNSURIA FORUM No 1, Jalan Setia Alam Dagang AL U13/AL, Setia Alam, 40170 Shah Alam, Selangor.	4	Freehold	2 Storey commercial shoplot Rented out	232	2,448,389
4.	GF-21, Hijauan Medini, Persiaran Medini Sentral 1, Bandar Medini Iskandar, 79250 Iskandar Puteri, Johor H.S. (D) 564282 PTD 202997 in the Mukim of Pulai, Daerah Johor Bahru, Negeri Johor.	3	94 years lease expiring on 14.02.2107	1½ Storey retail shoplot Vacant	192	1,412,952
	New Top Win Corporation Sdn Bhd					
5.	No 1, Jalan Utarid U5/19, Section U5, 40150 Shah Alam, Selangor. HS(D) 115081, PT 36416, Mukim Sungai Buloh, Daerah Petaling, Selangor (Mah Sing Industrial Park)	15	99 years lease expiring on 11.12.2096	Industrial land on which an office-cum-factory building has been constructed for use by Wang-Zheng Group	26,300	13,821,824
6.	No 5, Jalan Utarid U5/19, Section U5, 40150 Shah Alam, Selangor. HS (D) 115080, PT 36415, Mukim Sungai Buloh, Daerah Petaling, Selangor (Mah Sing Industrial Park)	12	99 years lease expiring on 11.12.2096	Industrial land on which a warehouse building has been constructed for use by Wang-Zheng Group	4,006	2,654,095

LIST OF PROPERTIES
AS AT 31 DECEMBER 2021
(CONT'D)

No.	Location	Aprox. age of building (Years)	Tenure/Date of expiry of lease	Description and existing use	Land area (sqm)	Audited Net book value @ 31.12.2021 (RM)
7.	No 7, Jalan Utarid U5/19, Section U5, 40150 Shah Alam, Selangor. HS (D) 115079, PT 36414, Mukim Sungai Buloh, Daerah Petaling, Selangor (Mah Sing Industrial Park)	14	99 years lease expiring on 11.12.2096	Industrial land on which a warehouse building has been constructed for use by Wang-Zheng Group	6,072	3,233,943
8.	GF-22, Hijauan Medini, Persiaran Medini Sentral 1, Bandar Medini Iskandar, 79250 Iskandar Puteri, Johor HS (D) 564282, PTD 202997, Mukim of Pulai, Daerah Johor Bahru, Negeri Johor.	3	94 years lease expiring on 14.02.2107	1½ Storey Retail Shoplot Vacant	230	1,679,338
	Modern Alpine Sdn Bhd					
9.	A-16-02, Hijauan Medini, Persiaran Medini Sentral 1,Bandar Medini iskandar, 79250 Iskandar Puteri, Johor H.S (D) 564282 PTD 202997, Mukim of Pulai, Daerah Johor Bharu, Negeri Johor.	3	94 year lease expiring on 14.02.2107	Condominium Suites Vacant	69	546,447

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2022

Total Number of Issued Shares	:	160,000,000
Issued Share Capital	:	RM80,000,000.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote for each Ordinary Share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2022

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	26	2.31	374	0.00
100 to 1,000	341	30.34	162,110	0.10
1,001 to 10,000	450	40.04	2,333,482	1.47
10,001 to 100,000	241	21.44	7,892,489	4.98
100,001 to less than 5% of issued shares	65	5.78	57,329,712	36.15
5% and above of issued shares	1	0.09	90,862,933	57.30
Total	1,124	100.00	158,581,100[a]	100.00

Note:
[a] Excluding a total of 1,418,900 shares bought-buy by the Company and retained as treasury shares as at 31 March 2022.

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2022

		Direct Interest		Indirect Interest	
	Names	No. of Shares	Percentage %	No. of Shares	Percentage %
1.	HENGAN (MALAYSIA) INVESTMENTS COMPANY LIMITED	90,862,933	57.30	–	–
2.	HENGAN INTERNATIONAL GROUP COMPANY LIMITED	–	–	90,862,933[a]	57.30
3.	HENGAN MEGA JUMBO INVESTMENTS LIMITED	–	–	90,862,933[a]	57.30
4.	AN PING HOLDINGS LIMITED	–	–	90,862,933[a]	57.30
5.	AN PING INVESTMENTS LIMITED	–	–	90,862,933[a]	57.30
6.	CREDIT SUISSE TRUST LIMITED	–	–	90,862,933[a]	57.30
7.	HUI LIN CHIT	–	–	90,862,933[a]	57.30
8.	HUI CHING CHI	–	–	90,862,933[a]	57.30
9.	SZE MAN BOK	–	–	90,862,933[a]	57.30
10.	TIN WING HOLDINGS LIMITED	–	–	90,862,933[a]	57.30
11.	TIN LEE INVESTMENTS LIMITED	–	–	90,862,933[a]	57.30

Note:
[a] Deemed interested in the shares held by Hengan (Malaysia) Investments Company Limited pursuant to Section 8 of the Companies Act 2016.

ANALYSIS OF **SHAREHOLDINGS**
AS AT 31 MARCH 2022
(CONT'D)

DIRECTORS' INTEREST IN SHARES AS AT 31 MARCH 2022

		Direct Interest		Indirect Interest	
	Names	No. of Shares	Percentage %	No. of Shares	Percentage %
1.	HUI LIN CHIT	–	–	90,862,933[(1)]	57.30
2.	GOH KHENG JIU	2,042,722	1.29	5,751,479[(2)]	3.99
3.	HUI CHING CHI	–	–	90,862,933[(1)]	57.30
4.	LI WAI LEUNG	–	–	–	–
5.	WONG PUI WAI NANCY	–	–	–	–
6.	SZE MAN BOK	–	–	90,862,933[(1)]	57.30
7.	MAJ GEN DATO' PAHLAWAN DR MOHANA DASS A/L RAMASAMY (RTD)	5,000	0.00	–	–
8.	LOO CHOO HONG	10,000	0.01	–	–
9.	CH'NG ENG HING	20,000	0.01	–	–
10.	LOW YU KEAT	70,000	0.04	–	–

Notes

(1) Deemed interested in the shares held by Hengan (Malaysia) Investments Company Limited pursuant to Section 8 of the Companies Act, 2016.

(2) Deemed interested through direct holding of spouse, brother-in-law and deemed interest in the shares held by Wang-Zheng Resources Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

LIST OF TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2022)

	Name(s)	No. of Shares	Percentage (%)
1.	HENGAN (MALAYSIA) INVESTMENTS COMPANY LIMITED	90,862,933	57.30
2.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO KWEE HOCK	7,842,800	4.95
3.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO SIEW LAI	6,121,500	3.86
4.	WANG-ZHENG RESOURCES SDN BHD	4,000,000	2.52
5.	WONG NYOK LAN	3,450,198	2.18
6.	CHUNG SHAN KWANG	2,929,072	1.85
7.	CHUA LEAN HONG	2,450,000	1.54
8.	GOH KHENG JIU	2,042,722	1.29
9.	CHAI TUCK CHUEN	1,944,459	1.23
10.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH SWEE HENG (MM1118)	1,919,500	1.21
11.	THANG YUEN MEI	1,654,700	1.04
12.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG SIEW ENG @ ONG CHAI (8040800)	1,526,100	0.96
13.	TEH HUI GUAN	1,443,479	0.91
14.	CHUNG SHAN MENG	1,389,233	0.88
15.	KEA LEONG MENG	1,276,700	0.81

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2022
(CONT'D)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2022)

	Name(s)	No. of Shares	Percentage (%)
16.	CHUNG SHAN HUI	1,255,133	0.79
17.	LEE PIANG KOON	1,069,040	0.67
18.	TAN TECK ANG	996,641	0.63
19.	MOHD RAZALI BIN ABDUL RAHMAN	904,300	0.57
20.	SUN LIN	850,000	0.54
21.	CHUNG SHAN YONG	683,233	0.43
22.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN	664,500	0.42
23.	CHUAH JOON HOOI	565,076	0.36
24.	TAY JUN HAN	558,300	0.35
25.	PHEY NIEN SZE	500,000	0.32
26.	CHAI TECK SENG	451,669	0.28
27.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO PON CHOW	439,000	0.28
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH KIAN LANG (E-KLC)	416,800	0.26
29.	CHOO KOK CHENG	371,903	0.23
30.	TJIAT SENG EXIM (1970) PTE LTD	371,903	0.23
	TOTAL	140,950,894	88.89

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting ("19th AGM") of Wang-Zheng Berhad will be conducted by way of virtual meeting entirely through live streaming from the Main Venue at No. 1, Jalan Utarid U5/19, Section U5, 40150 Shah Alam, Selangor, Malaysia on Thursday, 26 May 2022 at 11.00 a.m. or at any adjournment thereof of the following business:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon. ***(Please refer to Explanatory Note 1)***

2. To approve the payment of the First and Final Single Tier Tax Exempt Dividend of 2.0 sen per share in respect of the financial year ended 31 December 2021. ***Ordinary Resolution 1***

3. To approve the payment of Directors' fees of up to RM162,000 and other benefits of up to RM120,000 in respect of the period from 26 May 2022 until the conclusion of the next AGM of the Company. ***Ordinary Resolution 2 (Please refer to Explanatory Note 2)***

4. To re-elect the following Directors, who retire by rotation in accordance with Article 105(1) of the Constitution of the Company and being eligible, have offered themselves for re-election: ***(Please refer to Explanatory Note 3)***

   (a) Ch'ng Eng Hing ***Ordinary Resolution 3***

   (b) Low Yu Keat ***Ordinary Resolution 4***

   (c) Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd) ***Ordinary Resolution 5***

5. To re-appoint Messrs PricewaterhouseCoopers PLT ("PwC") as auditors of the Company and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 6 (Please refer to Explanatory Note 4)***

AS SPECIAL BUSINESS:

To consider and if thought fit, with or without modifications to pass the following resolutions:

6. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS** ***(Please refer to Explanatory Note 5)***

   "To approve the following Directors, each of whom has served as an Independent Non-Executive Director ("INED") for more than twelve years, to continue to act as INED of the Company:

   (a) Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd) ***Ordinary Resolution 7***

   (b) Loo Choo Hong ***Ordinary Resolution 8***

   (c) Ch'ng Eng Hing ***Ordinary Resolution 9***

   (d) Low Yu Keat." ***Ordinary Resolution 10***

7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

(Please refer to Explanatory Note 6)

Ordinary Resolution 11

"THAT subject always to the provisions of the Companies Act 2016 (the "Act"), the Constitution of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") or other regulatory authorities, approval be and is hereby given to the Company and/or subsidiary companies to enter into all arrangements and/or transactions as specified in Section 2.1.4 of the Circular to Shareholders of the Company dated 27 April 2022, involving the interests of directors, major shareholders or persons connected with such Directors or major shareholders of the Company ("Related Parties") as detailed in Section 2.1.4 of the Circular to Shareholders of the Company dated 27 April 2022, provided that such arrangements and/or transactions are:

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for day-to-day operations; and

(iii) carried out in the ordinary course of business or the normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not to be detriment of the minority shareholders of the Company,

(the "Shareholders' Mandate").

THAT the Shareholders' Mandate shall take effect from this resolution and shall continue to be in force until:

(a) the conclusion of the next annual general meeting of the Company following the general meeting at which such Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the general meeting, the authority is renewed either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next annual general meeting after the date it is required to be held pursuant to Section 340(2) of the Act but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

NOTICE OF **ANNUAL GENERAL MEETING**
(CONT'D)

8. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE ACT** ***(Please refer to Explanatory Note 7)***

Ordinary Resolution 12

"THAT subject to the Act, the Constitution of the Company, the MMLR of Bursa Securities, Additional Temporary Relief Measures to Listed Corporations for Covid-19, issued by Bursa Securities on 16 April 2020, its subsequent letter dated 23 December 2021 on extension of implementation of the 20% General Mandate and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time ("20% General Mandate"); AND THAT the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued pursuant to the 20% General Mandate on Bursa Securities which would be utilised before 31 December 2022 and thereafter, the 10% general mandate will be reinstated; AND THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company."

9. **PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES IN THE COMPANY ("PROPOSED SHARE BUY-BACK")** ***(Please refer to Explanatory Note 8)***

Ordinary Resolution 13

"THAT subject always to the Act, the provisions of the Constitution of the Company, the MMLR and the approvals of all relevant authorities (if any), the Board of Directors of the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase and/or hold such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the maximum aggregate number of shares which may be purchased and/or held as treasury shares by the Company does not exceed 10% of the total number of issued shares of the Company at any point in time;

(ii) the maximum amount to be allocated for the Proposed Share Buy-Back shall not exceed the aggregate of the Company's retained profits based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase of the Proposed Share Buy-Back; and

(iii) the shares of the Company so purchased may be cancelled, retained as treasury shares, distributed as dividends or resell on Bursa Securities, or a combination of any of the above, or be dealt with in such manner allowed by the Act and MMLR from time to time.

THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

(a) the conclusion of the next AGM of the Company following the general meeting at which such resolution is passed, at which time the authority will lapse, unless by an ordinary resolution passed at the general meeting, the authority is renewed either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(c) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first, but shall not prejudice the completion of the purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and/or any other relevant authority.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company".

10. To transact any other ordinary business for which due notice shall have been given in accordance with the Act.

BY ORDER OF THE BOARD

Tan Tong Lang (MAICSA 7045482 / SSM PC No. 202208000250)
Thien Lee Mee (LS 0009760 / SSM PC No. 201908002254)
Company Secretaries

Selangor, Malaysia
Dated this 27 April 2022

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

Notes:

1. The Chairman of the Meeting will be present at No. 1, Jalan Utarid U5/19, Section U5, 40150 Shah Alam, Selangor, Malaysia, being the main venue of the Meeting, pursuant to Section 327(2) of the Companies Act, 2016. Shareholders will not be allowed to attend this AGM in person at the Broadcast Venue and main venue on the day of the meeting. Please refer to the Administrative Guide for the procedures to register and participate and vote in the virtual meeting.

2. A member of the Company entitled to participate and vote at the meeting is entitled to appoint one or more proxies to participate and vote in his/her stead. All members are advised to participate in the 19th AGM remotely by registering yourself at https://cutt.ly/CSO3ZJD. A proxy may but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to participate and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

3. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) or more proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds.

5. Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hands of an officer or attorney duly authorised.

7. The Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarial certified copy of that power or authority shall be deposited with the Poll Administrator of the Company, situated at 54B, Damai Complex, Jalan Lumut, 50400 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting thereof at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.

8. For the purposes of determining a member who shall be entitled to participate the meeting, the Company shall be requesting the Record of Depositors as at 18 May 2022. Only a depositor whose name appears on the Record of Depositors shall be entitled to participate, speak and vote at the meeting as well as for appointment of proxy(ies) to participate, speak and vote on his/her stead.

9. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out above will be put to vote by way of poll.

EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS:

1. Item 1 of the Agenda

To receive audited financial statements for the financial year ended 31 December 2021

This Agenda item is meant for discussion only as Section 340(1)(a) of the Act provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Hence, this Agenda item is not put forward to the shareholders for voting.

2. **Item 3 of the Agenda**

To approve the payment of Directors' fees and other benefits payable

Pursuant to Section 230(1) of the Act, fees and benefits payable to the Directors of public company or a listed company and its subsidiaries shall be approved by shareholders at a general meeting. The Company is requesting the shareholders' approval for the payment of fees in respect of the period from 23 June 2021 until the conclusion of the next AGM of the Company in accordance with the proposed remuneration structure set out below:

	Director's fee (RM)	Meeting allowance for each meeting (RM)
Non-Executive Director	1,500 per month	200 to 9,100 per meeting

In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

3. **Item 4 of the Agenda**

Re-election of retiring Directors

Article 105(1) provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company. All the Directors shall retire from office once at least in each three years but shall be eligible for re-election. Ch'ng Eng Hing, Low Yu Keat and Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd) are standing for re-election as Directors of the Company.

For the purpose of determining the eligibility of the Directors to stand for re-election at this meeting and in line with Practice 5.1 of the Malaysian Code on Corporate Governance, the Nomination Committee ("NC") has assessed each of the retiring Directors under Ordinary Resolutions 3 to 5 and considered the following:

(a) The Directors performance and contribution based on the results of the annual evaluation of board;
(b) The Directors' level of contribution to the Board deliberations through their skills, experience and strength in qualities; and
(c) Their abilities to act in the best interests of the Company in decision-making.

Based on the results of the annual evaluation of board, the individual Directors has met the performance criteria required of an effective and high performance Board. Hence, the Board has recommended the re-election of Ch'ng Eng Hing, Low Yu Keat and Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd) as Directors of the Company.

4. **Item 5 of the Agenda**

Re- appointment of Auditors

The Audit Committee and the Board have considered the re-appointment of PwC as auditors of the Company and collectively agreed that PwC have met the relevant criteria prescribed by Paragraph 15.21 of MMLR.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

5. Item 6 of the Agenda

Continuing in office as INED

Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd), Mr Loo Choo Hong, Mr Ch'ng Eng Hing and Mdm Low Yu Keat have served the Board as an INED of the Company for more than 12 years. The Nomination Committee and the Board of Directors of the Company, after having assessed the independence of Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd), Mr Loo Choo Hong, Mr Ch'ng Eng Hing and Mdm Low Yu Keat, consider them to be independent based on amongst others, the following justifications and recommend that Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd), Mr Loo Choo Hong, Mr Ch'ng Eng Hing and Mdm Low Yu Keat be retained as an Independent Directors of the Company subject to the shareholders' approval through a two-tier voting process as described in the Practice 5.3 of the Malaysian Code on Corporate Governance: -

- they fulfill the criteria under the definition of independent director as stated in the MMLR and, therefore, are able to bring independent and objective judgment to the Board as a whole;
- their experience in the relevant industries have enabled them to provide the Board and Board Committees, as the case may be, with pertinent expertise, skills, contribution and competence;
- they have been with the Company for a certain period and therefore understand the Company's business operations which enable them to contribute actively and effectively during deliberations or discussions at Board and Committee meetings; and
- they continue to be scrupulously independent in their thinking and in their effectiveness as constructive challengers of the Managing Director, Chief Executive Officer and Executive Directors.

6. Item 7 of the Agenda

Proposed Shareholders' Mandate

The proposed Ordinary Resolution 11 in relation to Proposed Shareholders' Mandate is to seek approval from the shareholders for the renewal of the shareholders' mandate granted by the shareholders of the Company at the 19th AGM. The Proposed Shareholders' Mandate will enable the Company and its subsidiaries to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations involving the Related Parties, subject to the transactions being in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. This authority unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Further information on the proposed renewal of Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 27 April 2022 which is dispatched together with the Company's Annual Report 2021.

7. **Item 8 of the Agenda**

Authority to issue and allot shares pursuant to Sections 75 and 76 of the Act

The proposed Ordinary Resolution 12, if passed, is a general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 20% of the total number of issued share of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. Bursa Securities has via their letter dated 23 December 2021 granted an extension to the temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities not more than 20% of the total number of issued shares of the Company for the time being ("20% General Mandate"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2022 and thereafter, the 10% general mandate will be reinstated. Having considered the current economic climate arising from the global COVID-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, pursuant to Section 76(4) of the Companies Act 2016 from its shareholders at the forthcoming 19th AGM of the Company. The 20% General Mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/ or acquisitions. The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the 31 December 2022. The Board of Directors of the Company, after due consideration, is of the opinion that in the face of unprecedented challenges to the Company brought by Covid-19 pandemic, this 20% General Mandate will enable the Company further flexibility to raise funds expeditiously other than incurring additional interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow and achieve a more optimal capital structure. Any funds raised from this 20% General Mandate is expected be used as working capital to finance day-to-day operational expenses, on-going projects or future projects/investments to ensure the long-term sustainability of the Company. The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its subsidiaries. As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the last AGM held on 23 June 2021 and which will lapse at the conclusion of the 19th AGM.

8. **Item 9 of the Agenda**

Proposed renewal of authority to purchase its own shares of up to 10% of the total number of issued shares in the Company

The Ordinary Resolution 13, if passed, will renew the authority given to the Directors of the Company to purchase Company's shares of up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total amount of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase of the Proposed Share Buy-Back. The Company has not purchased any of its own shares since obtaining the said mandate from its shareholders at the last AGM held on 23 June 2021.

Further information on the proposed renewal of authority to purchase its own shares is set out in the Circular to Shareholders dated 27 April 2022 which is dispatched together with the Company's Annual Report 2021.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the First and Final Single Tier Tax Exempt Dividend of 2.0 sen per share in respect of the financial year ended 31 December 2021, if approved by shareholders at the forthcoming Annual General Meeting, will be payable on 15 June 2022 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 31 May 2022.

A Depositor shall qualify for entitlement only in respect of:

(a) shares transferred to the Depositor's Securities Account before 5.00 p.m. on 31 May 2022 in respect of transfer; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No notice of nomination has been received to date from any member nominating any individual for election as a Director at the AGM of the Company. There is therefore no individual standing for election as Director, save for the above Directors who are standing for re-election.

Further details of Directors standing for re-election as Directors at the 19th AGM are set out in their respective profiles which appear in the Directors' Profile of this Annual Report and the details of their interests in the securities of the Company are disclosed in the Statistics of Shareholdings of this Annual Report.

The Company will seek shareholders' approval on the 20% General Mandate for issue of securities in accordance with Paragraph 6.03 (3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 12 as stated in the Notice of 19th AGM of the Company for the details.

WANG-ZHENG BERHAD
Registration No. 200301009817 (612237-K)
(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE
FOR THE SHAREHOLDERS OF WANG-ZHENG BERHAD

Dear Shareholders,

RE: NINETEENTH ANNUAL GENERAL MEETING (19TH AGM) OF WANG-ZHENG BERHAD ("THE COMPANY")

Date : 26 May 2022 (Thursday)
Meeting Time : 11:00 a.m.

Streaming Location	Main Venue Location
Broadcast Venue Address: V-cube Malaysia Sdn Bhd BO1-A-09, Menara 2, KL Eco City, 3, Jalan Bangsar, 59200 Kuala Lumpur WP.	**Main Venue Address:** No. 1, Jalan Utarid U5/19, Section U5, 40150 Shah Alam, Selangor Darul Ehsan

REGISTRATION PROCESS (3 level security)

1. Shareholders and vested parties who wish to attend the Company's 19th AGM are required to register first online by cut-off date 24 May 2022 at 11:00 a.m. to enable the Company to verify your status. (1st level security authentication) via :-

   i) Registration Link :- https://cutt.ly/CSO3ZJD ; or

   ii) Scanned QR code

   An acknowledgement of receipt email will be sent to you after the completion of your registration.

2. Please provide your Name or Company's name, MyKad number, CDS account number, mobile contact number and a valid email address for verification to gain admission to the 19th AGM.

3. Following the verification, authenticated parties (members and proxy holders) will receive an email from agm@vcube.com.my containing your **Unique Security (US) Link, Entry ID, Voting Password** and instructions to be used to enter the AGM at the date and time specified.

4. Please check your inbox or spam-box on the night before the said AGM. You might need your IT personnel to whitelist the domain of V-cube so that the email from agm@vcube.com.my can be received.

5. You must not forward the **US Link, Entry ID and Voting Password** to any other persons. This will be in breach of terms of usage. This is also to avoid any technical disruptions to your personalized usage. Such mis-usage will void your vote and you may be prosecuted under the PDPA Act 2010. The link is trackable and will be erased after the 19th AGM has concluded.

6. Vested parties who register by the cut-off date but do not receive an email response after 24 May 2022, may contact us for assistance at the Poll Administrator's Hotline at **+60 11-5655 2899** via WhatsApp or WeChat messages (from 9.00 a.m. to 5.00 p.m.) or at email address: agm@wangzhengcorp.com.

WANG-ZHENG BERHAD
Registration No. 200301009817 (612237-K)
(Incorporated in Malaysia)

7. Shareholders are required to submit their proxy forms, on or before 24 May 2022, 11:00 a.m. to the following address :-

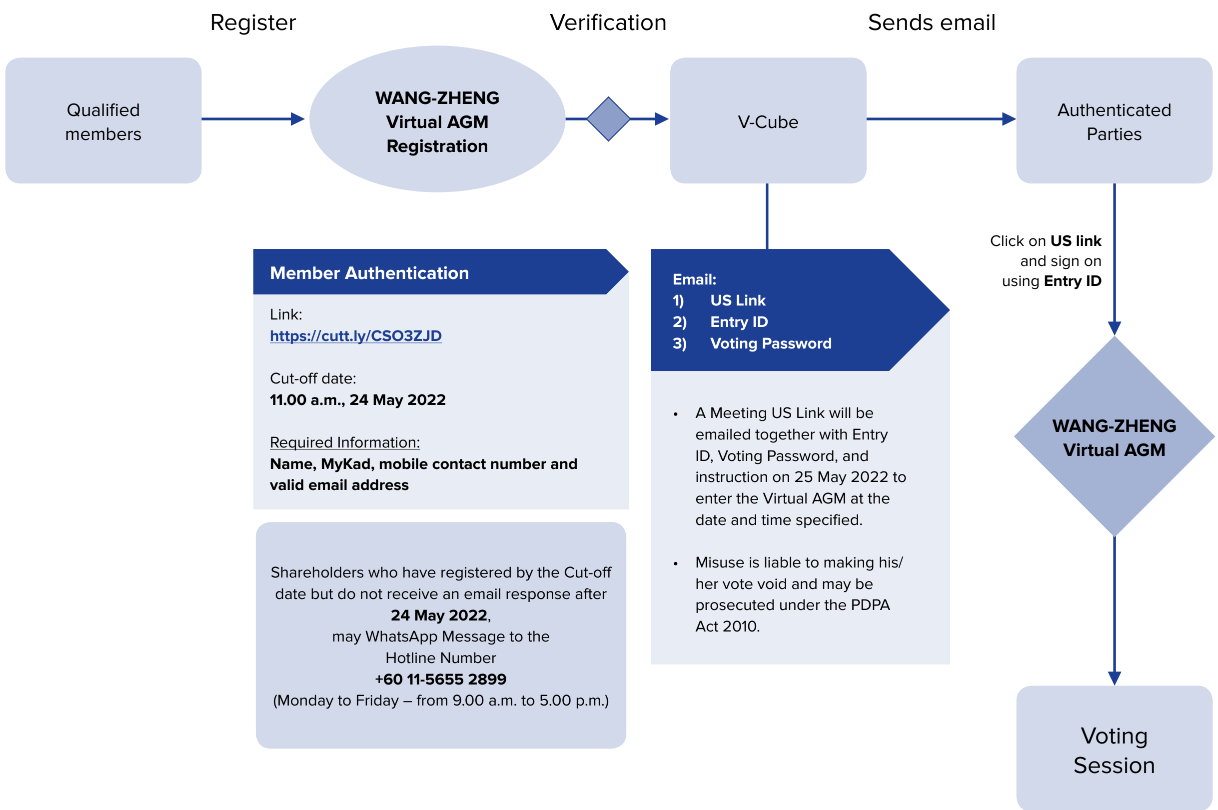
   Poll Administrator of Wang-Zheng Berhad
   54B Damai Complex, Jalan Lumut
   50400 Kuala Lumpur, Malaysia

8. Browser: You will need a browser that is HTML5-compatible (e.g. Microsoft Edge, Chrome, Fire fox) and a stable WIFI or LAN connection to participate in the 19th AGM which is device agnostic. A pre-environment test is attached with the **US Link**. For best user experience, you are strongly advised to join via a laptop or computer to engage fully in the proceedings and interactively download important information presented during the 19th AGM.

Important Notes

i) We will verify your submitted information to qualify you to attend the 19th AGM, after 18 May 2022.
ii) After you have been verified, you will receive an email from agm@vcube.com.my containing your **US Link, Entry ID** and **Voting Password** on the night before the AGM Day for the purpose of entering the AGM at the specified date.
iii) A communication box channel will be enabled prior to the tabling of each Resolution before voting. This is to enable you to communicate and post your question which will be vetted for relevancy before being responded by the Chairman or the Board.
iv) All 19th AGM user data analytics are recorded for compliance.
v) Shareholders can submit their questions earlier before the 19th AGM by 24 May 2022 at 11.00 a.m. to agm@wangzhengcorp.com.

FLOW CHART FOR WANG-ZHENG BERHAD AGM



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皇 城 集 团
WANG-ZHENG BERHAD
200301009817 (612237-K)

WANG-ZHENG BERHAD
Registration No. 200301009817 (612237-K)
(Incorporated in Malaysia)

POST REGISTRATION:

1. If you do not receive an email acknowledgement after your registration, it means your pre-registration is not successful. Please check your spam/junk email folder or try again.

2. Please contact us at email address agm@wangzhengcorp.com, or alternatively WhatsApp and/ or WeChat ID message to the Poll Administrator's Hotline at +60 11-5655 2899 (from 9.00 a.m. to 5.00 p.m.), if you have any urgent questions.

E-VOTING PROCEDURES:

1. During the session, the Chairman of the Meeting or the Committee Member will answer questions pertaining to each resolution within a certain pre-set time frame. Upon completion of the Q&A, the Chairman with the coordinated assistance of V-cube authorised staff will provide the Voting Link to the attendees. The Entry ID and Voting Password would also have already been sent to you via email as well.

2. Kindly click on the Voting Link, enter your Entry ID and your Voting Password which has been emailed to you.

3. Shareholders and/or proxy holders must submit the e-vote during the live polling session for each Resolution through clicking the box as below :-

FOR
AGAINST
ABSTAIN

4. A fixed time for voting is allocated depending on the Chairman's decision.

5. The shareholder is allowed to vote either by Form of Proxy or online during the 19th AGM. The shareholder or proxy holder is only allowed to vote once.

6. Once e-voting is completed for all the agendas/resolutions by polling, the Virtual 2022 AGM will be adjourned for the vote counting compliance.

7. During the adjournment period, the voting data will be downloaded and checked for compliance and validation.

8. The Chairman will provide details of the e-voting results and overall results after the short adjournment.

Note:
(A) Aside from shareholders, proxy holders who are allowed to join the 19th AGM, can participate in the questions and responses.
(B) All e-voting data in raw and cleanse form are archived for compliance purpose.
(C) Kindly check the Company's website: https://wangzhengberhad.com/investor-relation/ for any further updates.

We would like to thank all parties for your understanding and cooperation in conducting the AGM virtually. V-cube Malaysia is an experienced independent virtual AGM service provider in full compliance of Securities Commission, MKN, SSM, ROS and COB Malaysia Guidelines. It is an associate company of V-cube Inc listed on the Tokyo Stock Exchange and its local partners in Malaysia are the credible Institute of Corporate Directors Malaysia (ICDM) and KPMG.

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皇城集团
WANG-ZHENG BERHAD
200301009817 (612237-K)

WANG-ZHENG BERHAD
Registration No. 200301009817 (612237-K)
(Incorporated in Malaysia)

FORM OF PROXY

I / We .... (FULL NAME IN BLOCK CAPITAL) *NRIC/Registration No. .... Email Address .... Mobile Phone No. ....

of .... (Full ADDRESS)

being a member(s) of **WANG-ZHENG BERHAD [Registration No.: 200301009817 (612237-K)]** hereby appoint(s):-

Full Name (in Block):	NRIC/Passport No.:	Proportion of Shareholdings	
		No. of Shares	%
Address:			
Email Address:			
Mobile Phone No.:	WeChat ID:		

and/or

Full Name (in Block):	NRIC/Passport No.:	Proportion of Shareholdings	
		No. of Shares	%
Address:			
Email Address:			
Mobile Phone No.:	WeChat ID:		

and failing *him/her/them, the Chairman of the Meeting as *my/our proxy to vote for me/us and on *my/our behalf at the Nineteenth Annual General Meeting ("19th AGM") of the Company will be conducted by way of virtual meeting entirely through live streaming from the Main Venue at No. 1, Jalan Utarid U5/19, Section U5, 40150 Shah Alam, Selangor, Malaysia on Thursday, 26 May 2022 at 11.00 a.m. or at any adjournment thereof.

	Agenda	FOR	AGAINST
	ORDINARY RESOLUTIONS		
1.	To approve the payment of the First and Final Single Tier Tax Exempt Dividend in respect of the financial year ended 31 December 2021.		
2.	To approve the payment of Directors' fees of up to RM162,000 and other benefits of up to RM120,000 in respect of the period from 26 May 2022 until the conclusion of the next annual general meeting of the Company.		
3.	To re-elect Ch'ng Eng Hing as Director.		
4.	To re-elect Low Yu Keat as Director.		
5.	To re-elect Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd) as Director.		
6.	To re-appoint Messrs PricewaterhouseCoopers PLT ("PwC") as auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
7.	To approve the continuation of Maj Gen Dato' Pahlawan Dr Mohana Dass A/L Ramasamy (Rtd) as Independent Non-Executive Directors ("INED").		
8.	To approve the continuation of Loo Choo Hong as INED.		
9.	To approve the continuation of Ch'ng Eng Hing as INED.		
10.	To approve the continuation of Low Yu Keat as INED.		
11.	Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature.		
12.	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
13.	Proposed renewal of authority to purchase its own shares of up to 10% of the total number of issued shares in the Company.		

Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no specific instruction is given on the voting, the proxy/proxies will vote or abstain from voting on the resolution at his/her discretion.

Dated this ________ day of ________________, 2022

NO. OF SHARES HELD	
CDS ACCOUNT NO.	
TEL NO. (DURING OFFICE HOURS)	

____
* Signature/Common Seal of Shareholder

* Strike out whichever not applicable

Notes:

1. The Chairman of the Meeting will be present at No. 1, Jalan Utarid U5/19, Section U5, 40150 Shah Alam, Selangor, Malaysia, being the main venue of the Meeting, pursuant to Section 327(2) of the Companies Act, 2016. Shareholders will not be allowed to attend this AGM in person at the Broadcast Venue and main venue on the day of the meeting. Please refer to the Administrative Guide for the procedures to register and participate and vote in the virtual meeting.
2. A member of the Company entitled to participate and vote at the meeting is entitled to appoint one or more proxies to participate and vote in his/her stead. All shareholders are advised to participate in the 19th AGM remotely by registering yourself at https://cutt.ly/CSO3ZJD. A proxy may but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to participate and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
3. Where a member of the Company is an authorized nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) or more proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorized nominee defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominees may appoint in respect of each omnibus account it holds.
5. Where the authorized nominee or an exempt authorized nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a corporation, either under its Common Seal or under the hands of an officer or attorney duly authorized.
7. The Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarial certified copy of that power or authority shall be deposited at or by facsimile transmission to the Poll Administrator of the Company, situated at 54B Damai Complex, Jalan Lumut, 50400 Kuala Lumpur, Malaysia, not less than 48 hours before the time for holding the meeting or adjourned meeting thereof at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
8. For the purposes of determining a member who shall be entitled to participate at the meeting, the Company shall be requesting the Record of Depositors as at 18 May 2022. Only a depositor whose name appears on the Record of Depositors shall be entitled to participate, speak and vote at the meeting as well as for appointment of proxy(ies) to participate, speak and vote on his/her stead.
9. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out above will be put to vote by way of poll.

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AFFIX
STAMP

The Poll Administrator of

WANG-ZHENG BERHAD

[Registration No.: 200301009817 (612237-K)]
54B Damai Complex, Jalan Lumut
50400 Kuala Lumpur
Malaysia

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Fold This Flap For Sealing

皇 城 集 团
WANG-ZHENG BERHAD
200301009817 (612237-K)

No.1 Jalan Utarid 5/19, Section U5,
40150 Shah Alam, Selangor, Malaysia.
Tel: 03-7801 3388 Fax: 03-7801 3389

WANG-ZHENG BERHAD GROUP OF COMPANIES

Wang-Zheng Corporation Sdn. Bhd. Registration No. 198701008235(166952-D)
Quality Hero Corporation Sdn. Bhd. Registration No. 200001012762 (515368-M)
Carefeel Cotton Industries (M) Sdn. Bhd. Registration No. 199301013509 (268247-U)
New Top Win Corporation Sdn. Bhd. Registration No. 199401016709 (302387-H)
Modern Alpine Sdn. Bhd. Registration No. 200201005945 (573608-P)
Wonderful Eden Sdn. Bhd. Registration No. 201001009703 (894333-U)

www.wangzhengberhad.com