

## ≡ CHAIRMAN'S STATEMENT

“ While we are certainly realistic about the potential challenges that lie ahead, we remain optimistic about our ability to overcome them. ”

**TAN SRI DATO' SERI DR. TING CHEW PEH**  
**Chairman / Independent Non-Executive Director**



Dear Shareholders,

As we transition from the pandemic to endemic stage of Covid-19 in April 2022, a glimpse of normality and hope is emerging; marked by a period of stability in numbers of case counts and hospitalisations. We have taken the lessons we learned from the past two years and practiced capital discipline while focusing on our long-term business strategies to ensure we have the capacity for future growth. While we are certainly realistic about the potential challenges that lie ahead, we remain optimistic about our ability to overcome them. Like many businesses in the country and around the globe, Hua Yang experienced challenges in FY2022 including numerous disruptions in our supply chains, labour shortages, launch delays and ongoing Movement Control Orders (“MCO”) due to the ongoing pandemic. All this impacted the way we work, but we were able to ensure business continuity thanks to sound planning and our adaptability to change.

Financially, Hua Yang performed better than expected, given the challenging circumstances and litany of MCOs. The Group's revenue stood at RM120.2 million, which was lower compared to the FY2021 revenue of RM 159.6 million. However, for the fourth quarter of FY2022, we performed significantly better with the Group recording profit before tax of RM19.6 million for the quarter under review as compared to loss before tax of RM52.6 million for the preceding year's corresponding quarter.

Bank Negara Malaysia recently trimmed its 2022 economic growth forecast to between 5.3%-6.3% as they believe Malaysia's continued recovery will be slightly offset by the expected impact of the Ukraine conflict on the economy. Nevertheless, the Malaysian economy did record a growth of 3.6% in Q4 of 2021 compared to the 4.5% contraction in the previous year as economic activities resumed in October 2021 when restrictions were lifted and MCO's eased.

The property market showed signs of recovery following the implementation of various government stimulus via short-term recovery plans namely PENJANA and PRIHATIN. The property market performance also showed slight improvement in 2021 but hasn't been able to surpass pre-pandemic levels. Last year, over 300,000 transactions worth almost RM145 billion were recorded, an increase of 21.7% compared to the previous year.

On our end, the Group maintained lower inventory by aggressively clearing existing inventory, focusing on construction of ongoing projects and deferring some planned launches due to the MCO.

Being cognisant of the constantly evolving economic situation, the Group undertook a review of its working systems and procedures involving close monitoring of its risk management regimes, strengthening of its digital marketing tools as well as expanding the digitalisation of its processes and procedures to improve efficiency and reduce cost. It is our belief that effective cost management and timely project execution are the keys to business sustainability.

This past year has been incredibly challenging for everyone. In recognition of this, I would like to say that our stakeholders have been one of the key reasons we are still standing strong and moving forward. As always, my gratitude goes out to our staff who showed us that we can indeed overcome any challenges and achieve any goals with the right people on our side. Let me also extend my appreciation to our Board of Directors for their unwavering support and commitment as we continue to navigate uncertain waters.

“ We remain optimistic that progress to recovery will continue in FY2023, driven by strong leadership and effective management. ”

**HO WEN YAN**  
**Chief Executive Officer**

Dear Shareholders,

What a year it has been. We cannot overstate the numerous challenges we have faced over the past two years — as a company, as individuals and as a society. Having said that, we choose to view things optimistically and the pandemic certainly brought about some positive changes.

The 2022 business environment for property development did improve compared to the previous year, which saw many unprecedented challenges – more than we have ever faced in our industry. These challenges forced us to adapt quickly and thus we began implementing changes at the start of the pandemic in 2020, when we realised the ‘normal’ way of doing business had been severely disrupted. We implemented measures such as cost management, cashflow management, and reduced our borrowings and this has generated positive results in the financial year 2022 (“FY2022”).



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (CONT'D)

### FINANCIAL PERFORMANCE

From a financial perspective, in FY2022, despite the challenging environment, we performed well and managed to register a profit after tax of RM1.4 million compared to a loss after tax of RM52.5 million in FY2021. The significant profit variance arose due to the pickup in construction activity following the relaxation of economic restrictions and the reclassification of the investment in Magna Prima Berhad (MPB) from an associate to a simple investment.

Total assets as at end FY2022 amounted to RM883.9 million, compared to RM972.7 million as at end FY2021. The value of land held for property development at RM580.1 million was comparable to RM587.5 million in the previous year end. Inventories of completed properties amounted to RM47.7 million, a decrease from RM67.9 million as at end of FY2021.

Total liabilities continued to decrease and stood at RM427.0 million compared to RM510.3 million at the end of FY2021. Total borrowings declined by 13.4% to RM 253.1 million from RM292.3 million in the previous year. Lastly, short-term borrowings also declined to RM52.5 million.

Our latest net gearing figure stands at 0.51 times against total equity of RM457.0 million and is manageable. The Group hopes to bring this figure down further by the end of the current year as it is expecting more significant revenue recognition from ongoing projects and higher sales of existing projects. This net gearing reduction will allow us to build up our capital buffer in order to pursue land banking prospects.

While we do anticipate a profitable and stronger financial position in FY2023, it will still undoubtedly be a challenging year for the Group due to the high raw material costs and labour constraints caused by the pandemic overhang and geopolitical conflict. On average, Building Material Cost index ("BCI") showed an increase for raw material costs of between 10%-30%, with steel being the most volatile. To address this particular issue, Hua Yang made the decision to procure the construction materials, leaving the contractors solely responsible for providing labour. We view this as a win-win situation for all parties, as contractors will be more likely to complete work on time as they no longer have to worry about raw material price fluctuations and at our end, our trading arm can utilise bulk discounts to help cushion the impact of rising material costs.

### FY2022 REVENUE CONTRIBUTION BY REGION

The total group revenue for FY2022 consisted of contributions from key projects which accounted for approximately 90% of total group revenue. Within the key regions, Perak accounted for 40% of group revenue, Johor 29%, Klang Valley 21% whilst Penang and Negeri Sembilan contributed 8% and 2% respectively.



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (CONT'D)

### DIVIDENDS

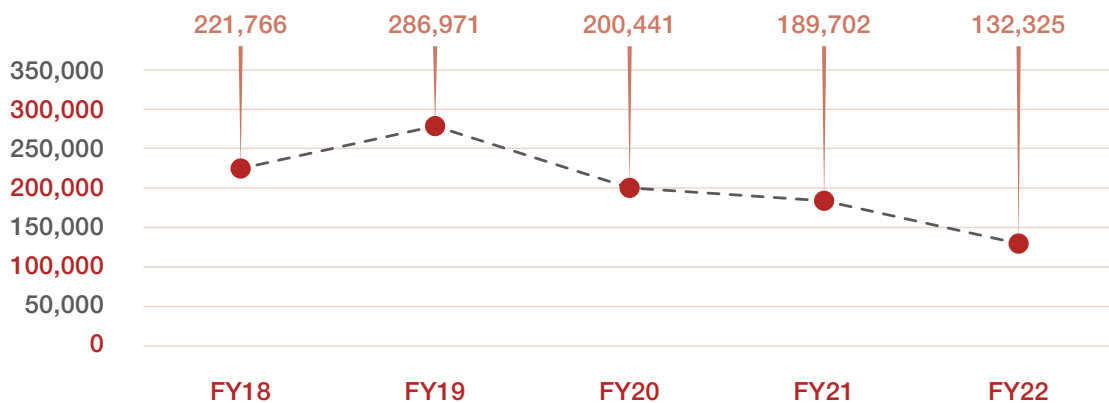
Unfavourable market conditions and another tumultuous year has resulted in the Board not recommending any dividend payments for FY2022. While this is disappointing, we are choosing to focus on prudent financial management and reducing our borrowings for the upcoming year. Moving forward, we hope that the Group is able to maintain solid growth and that the overall market condition improves.

### PROPERTY DEVELOPMENT

In FY2022, the Group attained new sales of RM132.3 million, which was lower than the previous year's figure of RM189.7 million. This was somewhat expected as the market was soft due to the reinstatement of stringent movement restrictions amid an alarming rise in COVID-19 infection rates, dashing hopes of a quick recovery for the property market, which was previously anticipated to occur by the end of 2021.

Sales generated for the Group were derived from key projects including Aston Acacia (Penang), Elemence (Johor), Astetica Residences (Selangor) and Bandar U Seri Iskandar (Perak).

### HISTORICAL TREND IN NEW SALES



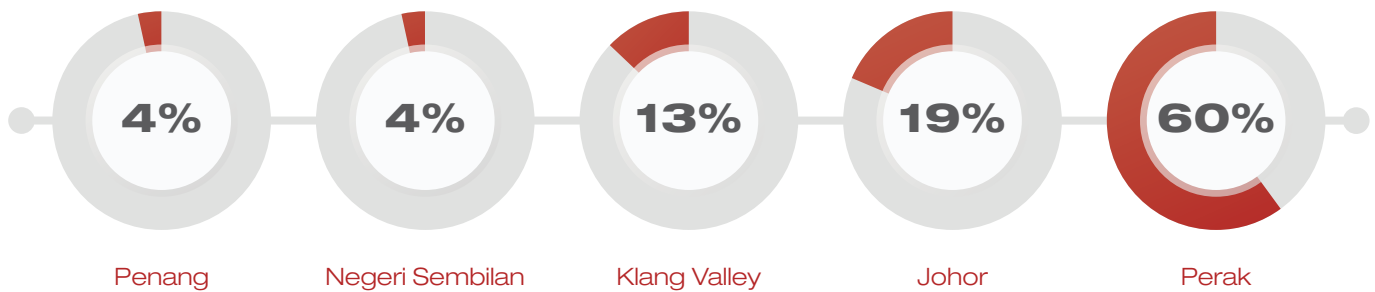
For FY2022, the total unbilled sales at the end of the year under review stood at RM150 million, slightly higher than the previous year's figure of RM132 million. We are optimistic that unbilled sales will be improved through sales of our ongoing projects as well as the new launches planned for FY2023.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (CONT'D)

### LANDBANKING

At present, our portfolio of available landbank amounts to almost 400 acres in key regions with a potential GDV of RM5.3 billion. Other notable developments in this area for the year under review include the Group acquiring a five-acre parcel of freehold land in Dengkil, Selangor as well as the purchase of another parcel of freehold land of 1.4 acres in Permatang Pauh, Penang; the latter pending completion on fulfillment of condition precedents.

### UNDEVELOPED ACREAGE



State	Total Undeveloped Land (Acres)
Perak	<b>240</b>
Johor	<b>76</b>
Klang Valley	<b>52</b>
Negeri Sembilan	<b>18</b>
Penang (Mainland)	<b>14</b>

### PROPERTY DEVELOPMENT PROJECTS

Hua Yang has always been at the forefront of the affordable housing industry as we believe that the development of new affordable housing is a way to meet current and future housing demands. We continue to deliver an inimitable style of mid-market homes catering to the needs of all Malaysians. Some of our key development projects are highlighted below.

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT (CONT'D)

## JOHOR

ELEMENCE, TAMAN DENAI ALAM, Johor

**Total Estimated GDV : RM375 million**  
**Land size : 73.2 acres**

**Status : Ongoing**  
**Sales of ongoing phases : 87% (as at 31 March 2022)**



ELEMENCE at Taman Denai Alam is the Group's latest township development in Johor, sitting on a 73.2-acre freehold land, with its initial phases debuted in October 2017. It is a continuation of the Group's township development in Johor, namely TAMAN PULAI INDAH and TAMAN PULAI HIJAUAN, which started back in 2001.

This RM375 million gated and guarded township project is conveniently connected to surrounding areas, such as Pasir Gudang, the Masai town centre and Johor Bahru city centre, with excellent access to at least six major routes and highways including Pasir Gudang Highway, Senai-Desaru Expressway and EDL Highway. Vital industrial amenities like the Johor Port and Tanjung Langsat Port are situated within a 13 kilometres radius, while Pengerang is about 80km away. Frequent flyers will also appreciate the proximity of the Senai International Airport, just 55 kilometres from this new township project.

ELEMENCE at Taman Denai Alam is richly designed with tree-lined avenues, recreation gardens and green pockets, with each home offering spacious living areas with cosy layouts that cater for the entire family. It is developed with Sungai Kim Kim as its centrepiece and in close proximity to supermarkets, hospitals, educational institutions, banks and restaurants.

The maiden launch of OVAL @ Elemence, Phase 1 in financial year 2018, comprising double-storey cluster houses and link bungalows with a GDV of RM41 million, was completed and successfully handed-over to our buyers in January 2020. In FY2020 the Group has rolled-out new phases comprising cluster houses and shop offices, with total estimated combined GDV of RM44 million.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (CONT'D)

### PERAK

BANDAR U, SERI ISKANDAR, Perak

**Total Estimated GDV : RM1,460 million**  
**Land size : 777 acres**

**Status : Ongoing**  
**Sales of ongoing phases : 95% (as at 31 March 2022)**



Bandar U, an integrated university township, is strategically located in-between the state capital and southern part of Perak, approximately 35km to the southwest of Ipoh City. The 777-acre township is well-connected with direct access from the Ipoh- Lumut highway.

Built on the basis of a lifestyle that is in complete harmony with nature, the dynamic and fast-growing affordable township contains quality residential homes and commercial components fronting lakes and natural landscapes, a host of leisure and entertainment facilities, in-town educational institute of higher learning, and a state-of-the-art medical centre.

The RM1.46 billion township is nestled among a variety of amenities, which includes Lotus's Superstore, a KFC drive-thru restaurant, police station, wet market, schools, banks, bus station terminals and many more. The township is also nearby to a good selection of universities such as Universiti Teknologi PETRONAS (UTP) and Universiti Teknologi MARA (UiTM)), national primary and secondary schools, Islamic schools and kindergartens. Also located in the vicinity is Kolej Vokasional Seri Iskandar, Sekolah Menengah Teknik Seri Iskandar and Institute Latihan Kemas Seri Iskandar. Healthcare facilities include clinics and a well-equipped medical centre.

We have completed and handed over the Erica Phase 2 and Sakura Phase 1 during the year, with total GDV of RM33.5 million; which was fully sold as at end-Mar 2022. Other ongoing phases include:

- Sakura Phase 2, with GDV of RM14.9m, fully sold as at end-Mar 2022
- Sakura Phase 4, with GDV of RM18.2m, fully sold as at end-Mar 2022
- Sakura Phase 3, with GDV of RM15.5m, fully sold as at end-Mar 2022
- Sakura Phase 5, with GDV of RM15.7m, fully sold as at end-Mar 2022
- Centaurea Phase 1, with GDV of RM20.8m, 79% sold as at end-Mar 2022

Bandar U has launched close to RM861 million worth of properties since it was first launched back in 2001. With most of its previous phases launched, completed and fully sold, SAKURA Phase 2 to Phase 5 and CENTAUREA Phase 1, are the five ongoing residential phases comprising single and one and half-storey terrace houses. These ongoing phases - designed for practical and comfortable living are well-received and have thus far achieved overall sales of 95% as at end-March 2022. Looking ahead, in financial year ending 31 March 2023 ("FY2023"), the Group is looking to introduce new phases in CENTAUREA and PLUMERIA, comprising one and half-storey and single-storey terrace houses with total estimated GDV of RM72 million.

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT (CONT'D)

## PENANG

ASTON ACACIA, BUKIT MERTAJAM, Mainland Penang

**Total Estimated GDV : RM269 million**  
**Land size : 5 acres**

**Status : Ongoing**  
**Sales of ongoing phases : 73% (as at 31 March 2022)**



Aston Acacia is a modern tropical architecture development, strategically located in the heart of Bukit Mertajam town. Based on the concept of living high, the masterplan of Aston Acacia is designed to offer a balance of life, work and play with comprehensive modern facilities that provide comfortable living and vibrant lifestyle.

Aston Acacia is situated next to Jit Sin Independent High School, SM Impian Bukit Mertajam and Two Studio Multimedia Academy. It is also within proximity to the breathtaking Cherok Tokun Nature Park, St. Anne's Church, Lotus's (Tesco), Aeon Mall, Auto City and other amenities such as eateries, banking and health facilities.

The 2 towers of 33-storey serviced apartments are built on freehold land and comprise 622 units with built-ups ranging from 701 sq.ft. to 1,206 sq.ft. The units come in several variants offering two to four bedrooms with two to three bathrooms depending on the unit size. This development also comprises 38 commercial units and a 5-storey car park podium.

Whether buyers are single professionals or a part of smaller and larger families, the ingenious designs of the units suit a variety of demographics and cater to individualistic needs. Aston Acacia ensures easy access to a host of superb amenities so that your daily needs are always met.

Tower A of Aston Acacia was launched in Q4 2020 with prices ranging from RM292,600 to RM682,500, and has achieved a 73% take-up for the first tower. Homebuyers will still have the opportunity to own units in the second tower, which is expected to be launched at Q3 2022.



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (CONT'D)

### ANTICIPATED RISKS

Even though Hua Yang anticipates a profitable and stronger financial position in FY2023, we do recognise that it will still be a relatively challenging year for the Group due to the high raw material costs and labour constraints caused by the pandemic overhang and geopolitical conflict.

In the recently published annual Malaysian property market report for 2021, the property market did show signs of recovery from the pandemic-induced slowdown in 2020, although there was a drop in the volume of transactions during the second and third quarters as home sales were affected when the country went into various movement restrictions amid the MCO. However, the volume of residential transactions did pick up significantly during the last quarter as potential homeowners took advantage of the year-end deadline to qualify for the benefits under the HOC (Home Ownership Campaign) 2020-2021.

We remain optimistic that progress to recovery will continue in FY2023, driven by strong leadership and effective management. Despite the unknowns, one thing we can count on are the valuable lessons learned as we navigated two difficult years. Our priorities are continued cost controls while we explore opportunities to develop our company further. More details of our risk management can be found in the Statement on Risk Management and Internal Control of the Annual Report.

### PROSPECTS AND OUTLOOK

Like the previous year, going forward, we expect to face some challenges brought on by rising building material costs, supply chain constraints, and labour shortage which will increase construction costs. Nevertheless, we do expect developers to offer a mix of incentives and sales packages to entice homebuyers during soft market conditions. As leaders in the affordable housing market, we view this as an opportunity to reach out to our target markets via our solid reputation and our steadfast commitment to make dreams of affordable home ownership a reality. In fact, we anticipate FY2023 to be a profitable year, as we work hard to ensure sufficient capital for existing development and future expansion.

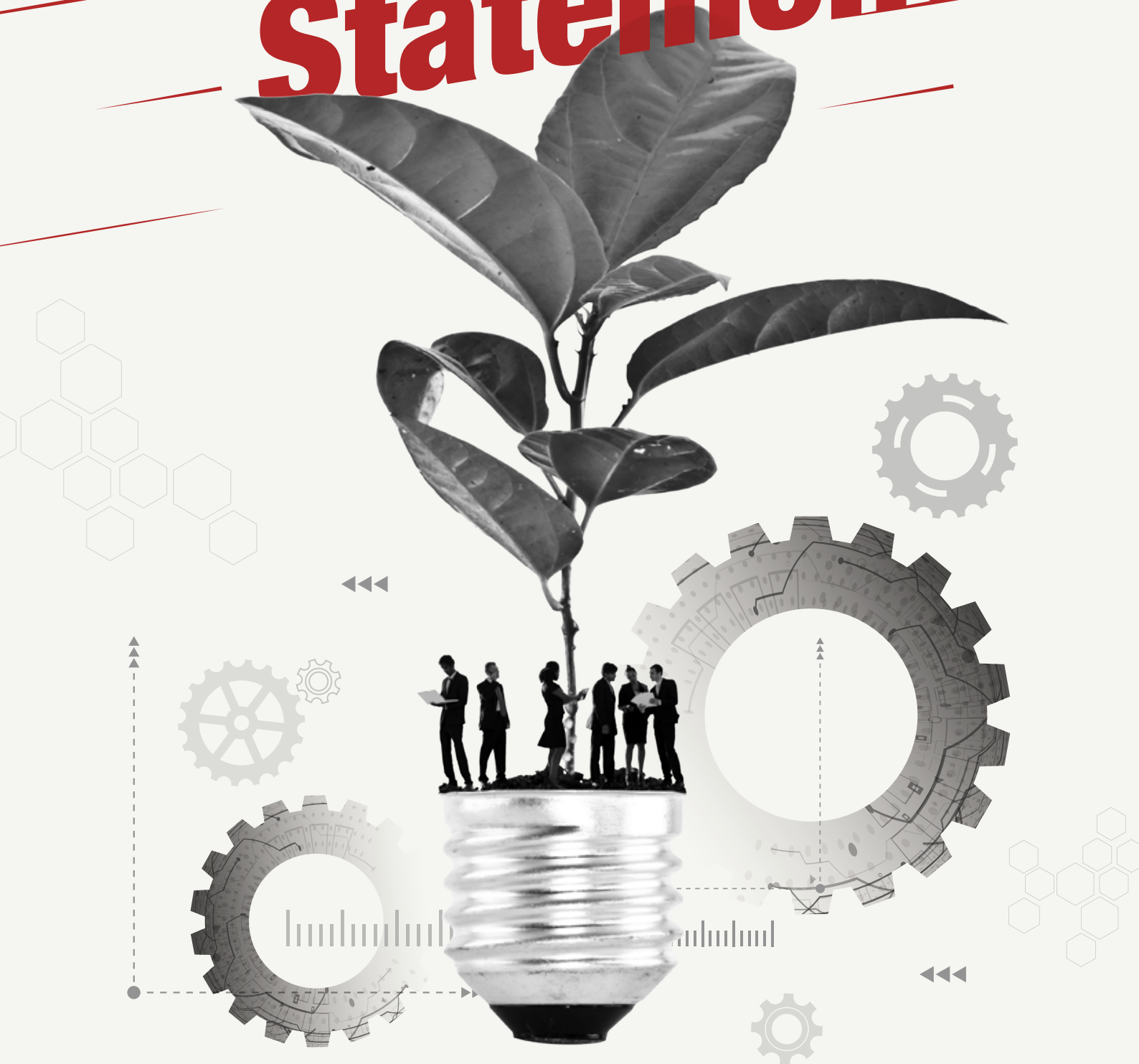
In terms of strategy, for the near-term we intend to concentrate on strengthening the company's balance sheet while also looking for expansion opportunities. To do this we will need to focus on driving our FY2023 RM300 million sales target; reduce our inventory, complete our EDMS and digitalisation transformation, implement cashflow monitoring, improve cost management and reduce our borrowings.

### FY2023 PLANNED LAUNCHES

• <b>Aston Acacia, Bukit Mertajam – Phase 2</b>	<b>311 UNITS</b>	<b>RM130 MILLION</b>
• <b>Centaurea Phase 2, 3 &amp; 4 and Plumeria Phase 1, Bandar U</b>	<b>323 UNITS</b>	<b>RM72 MILLION</b>
• <b>Station 18, Pasir Puteh</b>	<b>112 UNITS</b>	<b>RM40 MILLION</b>
• <b>Elemence Phase 2, 3P1A &amp; 5P2A</b>	<b>113 UNITS</b>	<b>RM60 MILLION</b>



# Sustainability Statement



# ≡ SUSTAINABILITY STATEMENT (CONT'D)

Hua Yang believes that sustainability provides ample opportunities for growth and long-term value creation and is an essential component of responsible business practices. As a company, we view sustainability as a strategic value driver which we embed throughout our business operations encompassing economic, environmental, and social aspects.

We continue to carefully balance the needs of our shareholders with that of the environment and local communities; taking into careful consideration the impact our business has on these entities. Guided by strong, ethical standards we strive to set a positive example for our stakeholders, ensuring that sustainability is practised throughout the Group. This is achieved by adopting the following four (4) pillars of sustainability:



**Deliver affordable and dependable quality service and products**



**Build a sustainable environment through innovation**



**Promoting engagement and investing in the local community**

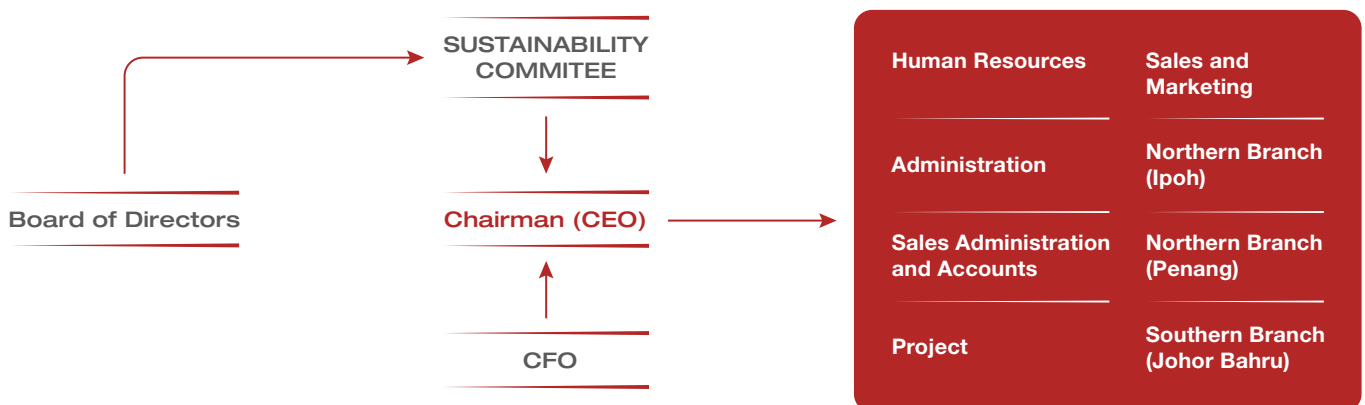


**Enhancing values by motivating our workers and ensure reliable and efficient supply chain management**

Hua Yang's strategies address the Economic, Environment and Social (EES) risks that we face, providing a solid foundation for our business while ensuring we address specific local issues and challenges to leave a positive impact in the communities we serve.

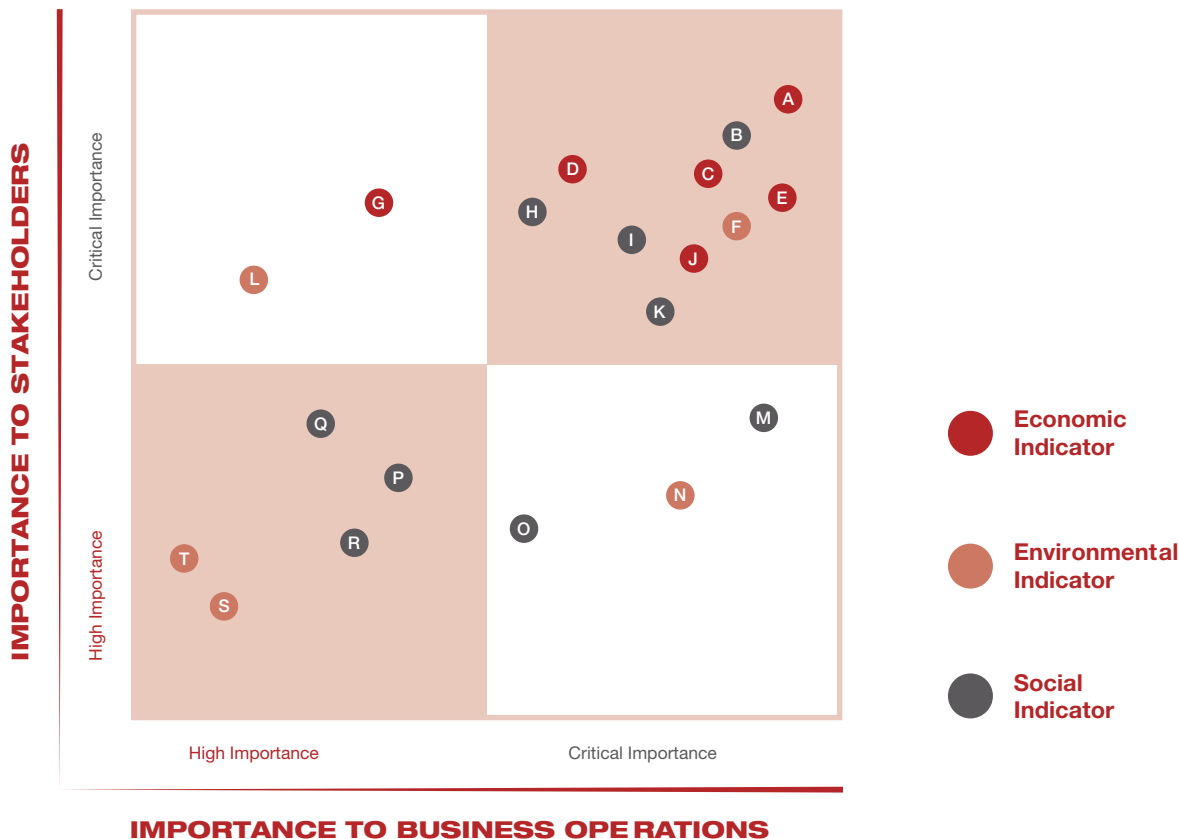
## SUSTAINABILITY COMMITTEE

Our Sustainability Committee is our internal body whose responsibility is to provide advisory as well as supervisory roles as it pertains to our sustainability objectives. The Committee is primarily responsible for the Group's sustainability strategy; where the Board of Directors provide oversight to the Sustainability Committee, and is chaired by the Chief Executive Officer.



## MATERIAL SUSTAINABILITY MATTERS / INDEX

Identifying Material Sustainability Matters through a thorough process of identification, ranking and verification, the Group was able to refine 20 material sustainability matters that are relevant to the Group's business operations and impact to our stakeholders in accordance to importance, relevance and impact. The final materiality matrix is presented as follows:



Material Sustainability Matters	Relevant Stakeholder (s)	Applicable GRI Indicator (s)
<b>A</b> Housing Affordability	Customers, Communities	Product Service and Labelling
<b>B</b> Occupational Safety and Health	Regulators & Government Agency, Vendors & Suppliers, Employees	Occupational Health and Safety
<b>C</b> Business Digitisation	Customers, Communities	GRI General Standard Disclosures
<b>D</b> Market Presence	Shareholders & Investors, Vendors & Suppliers	GRI General Standard Disclosures
<b>E</b> Economic Performance	Shareholders & Investors, Customers	GRI General Standard Disclosures
<b>F</b> Regulatory Compliance	Regulators & Government Agency, Shareholders & Investors, Customers	Compliance
<b>G</b> Supply Chain Management	Vendors & Suppliers, Customers	GRI General Standard Disclosures
<b>H</b> Ethics and Integrity	Regulators & Government Agency, Shareholders & Investors	GRI General Standard Disclosures
<b>I</b> Customer Satisfaction and Brand Reputation	Customers and Shareholders & Investors	Product Service and Labelling
<b>J</b> Project Management	Regulators & Government Agency	Compliance
<b>K</b> Corporate Governance and Transparency	Regulators & Government Agency, Shareholders & Investors	GRI General Standard Disclosures
<b>L</b> Energy	Regulators & Government Agency, Customers, Vendors & Suppliers	Energy
<b>M</b> Product Quality	Customers	Product Service and Labelling
<b>N</b> Waste Management	Regulators & Government Agency, Customers, Communities	Waste and Effluents
<b>O</b> Employee Benefits	Employees	Diversity and Equal Opportunity
<b>P</b> Customer Privacy	Customers	Customer Privacy
<b>Q</b> Employee Development and Training	Employees	Training and Education
<b>R</b> Contribution to Society	Communities, Media	Local Communities
<b>S</b> Green Buildings Compliance	Customers, Shareholders & Investors and Vendors & Suppliers	Compliance
<b>T</b> Water	Customers, Communities	Water

## ECONOMIC SUSTAINABILITY

As the Group continues working towards its primary objective of achieving business sustainability while simultaneously contributing to a more sustainable society, we have identified priority areas to ensure long-term profitability and growth for the Group.

### 1. EMBEDDING ETHICAL BUSINESS PRACTICES

One key step of embedding ethical corporate culture is adhering to the laws and regulations outlined by the government and adopting the Malaysian Code of Corporate Governance 2021 (“MCCG”) to maintain our corporate accountability as a responsible business.

We maintain our commitment to sustainability and integrate it into our company strategy, with the full support and active involvement of our senior management team. The Group’s Anti-Bribery and Anti-Corruption Policy was approved by our Board of Directors as part of our commitment to maintaining high ethical standards and demonstrating responsible business practices.

Additionally, our Whistleblowing Policy is available to our stakeholders via our corporate website and is intended for use when there is cause to report any type of business misconduct. This policy was created in order to provide transparency and accessibility to our stakeholders with regards to reporting any business wrong doings by the Group.

### 2. BUSINESS DIGITALISATION

The digitalisation of business helps to improve a company’s efficiency and effectiveness. New advances in digital technology allow companies to release their products to the market faster and to reach the right customers effectively. Transitioning from a physical server to a Cloud-based one has not only increased the speed and efficiency of the digital side of our business but is also greatly beneficial for both our business and the environment.

In 2022 as the government relaxed SOPs and we moved towards the endemic phase of COVID-19, we continued to improve upon the new ways of working which we had adapted to at the height of the pandemic. We also implemented new digital strategies including:



**Single Sign-On (SSO) implementation:**

eliminates multiple sign-on improves productivity and improves user security



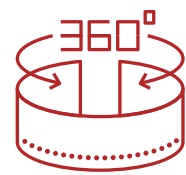
**Microsoft Teams as collaboration platform:**

streamlines work allowing for seamless collaboration



**Migration of our server to a Cloud:**

increases efficiency and digital performance



**Virtual 360 show unit:** allows customers a fast and smooth user experience

We continue to maintain an active presence on social media platforms such as Facebook and YouTube for our millennial demographic which is a vital market segment for us.

## 3. PRODUCT QUALITY CONTROL

The role of construction quality control cannot be overstated within the construction industry; its purpose being to ensure all deliverables meet the standards and guidelines set by regulatory and environmental agencies as well as the client. Construction quality is very much dependent on good monitoring and tracking. Having a proper monitoring system coupled with advanced planning leads to fewer mistakes and provides the best possible outcomes; detecting potential issues before they happen.

Our commitment to safety standards and building guidelines is demonstrated through our continued compliance to the updated CIS 7:2021 standard 'Quality Assessment System for Building Construction Work' and 'Quality Assessment System in Construction' (QLASSIC) standard as outlined by Malaysia's Construction Industry Development Board (CIDB).

## 4. CUSTOMER SATISFACTION

Customer satisfaction is a key component of virtually all industries and the construction industry is no different. We understand how important it is to develop and maintain a positive relationship with our customers, thus we have multiple channels in place to ensure our customers can communicate with us no matter what. We currently provide the following communication mechanisms to our customers including:

1. Feedback and comments via both email and phone
2. Walk-in customer care at all our Customer Care Offices
3. Continued usage of all Customer Care Offices at all completed projects managed by the Group's own personnel.

We are happy to report that through the availability of these multiple channels, we have been quite successful in managing our customer satisfaction and we continue to commit to nurturing strong relationships alongside a high level of trust with all our customers.

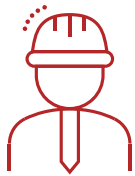
## WORKPLACE SUSTAINABILITY

---

Employees are the backbone of our company and Hua Yang understands that we must align our people with our corporate values in order to create stakeholder value. We strive to make the employee experience a positive one; recognising that a happy and engaged employee will be motivated to deliver great results and spread positivity throughout the organisation.

As our most valuable asset, we provide our employees with a workplace that is fair, stimulating and conducive to rewarding careers. We stress the importance of career development and encourage our employees to take the opportunity to reach their full potential through our various self-development programmes.

As in previous years and continuing on with the effects of the pandemic, we prioritise the health and well-being of our employees. The existing Group's Emergency Response Team (ERT) has expanded to 26 members whose roles and responsibilities include;



**Implementing and monitoring measures to ensure workplace safety**



**Report, record and investigate instances of workplace accidents and non-compliance to safety standards as outlined in the Group's P&P standards**



**Conduct planned emergency evacuation exercise annually**

## DIVERSITY AND INCLUSION

A strong and diverse workforce can improve the bottom line of companies. We subscribe to the notion that diversity enhances creativity; believing that it leads to better decision making and problem solving.

We have always sought to provide our staff an equal opportunity workplace; one where all employees regardless of gender, race or age are given fair opportunity to hold managerial positions based on merits, capabilities and qualifications. We recognise the link between an employees' drive and motivation and the organisation's career development program. As such, we provide employees with various training programmes to enhance their skills and knowledge allowing them opportunities to evolve from their position.

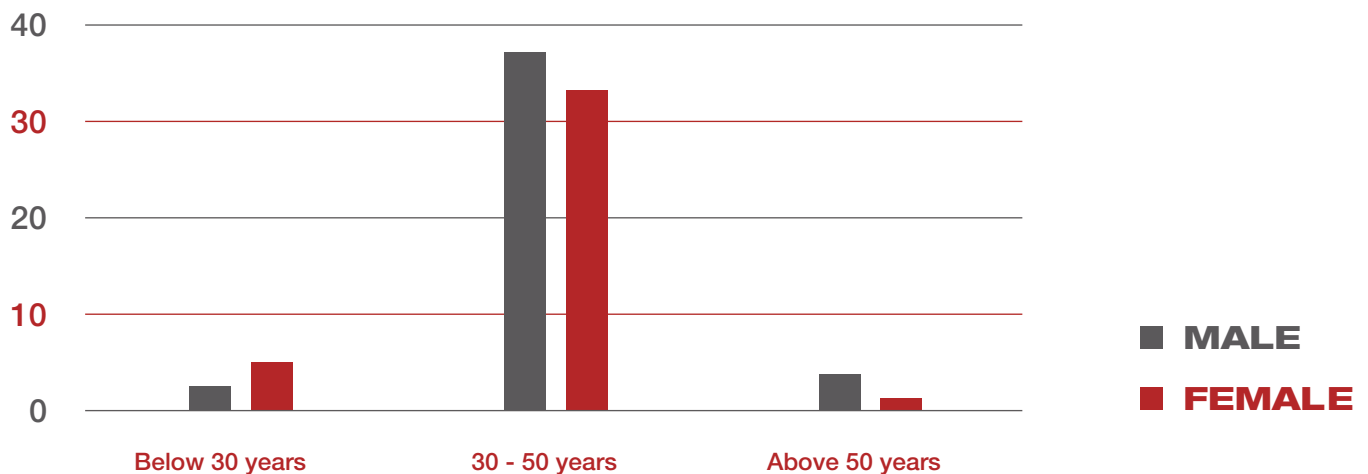
Our overall employee distribution remains at 47% females and 53% males. The majority of our workforce consists of those aged 30 and older and we believe this diversity in age benefits the Group by creating a stable and dynamic workplace.



## ≡ SUSTAINABILITY STATEMENT (CONT'D)



### STAFF STRENGTH: 81



### EMPLOYEE DEVELOPMENT AND TALENT MANAGEMENT

We have always stressed that our greatest asset is our people, and like all assets, their value is tied to the time and energy invested in them. For Hua Yang, this means developing our people in line with our vision, values and business goals; recognizing that talent development is key to increasing productivity and profitability.

As our largest group of stakeholders, we want to ensure our employees are provided with clear development plans and pathways helping them learn, grow and reach their full potential. As part of our initiative to support our employees' continuous improvement and personal development; we provide all staff the opportunity to attend at least four (4) hours of training per year. This includes training sessions covering a wide range of technical and soft skill topics.

For FY2022, some of the topics covered in our talent development programs included "How to Manage Virtual Meetings Efficiently" and "Managing Work Performance while Working From Home".

## ENVIRONMENTAL SUSTAINABILITY

### REDUCING ENERGY USAGE

As a functioning society, every day we use and consume large amounts of food, energy and other resources which impact our environment. A responsible and environmentally aware business will recognise the importance of maintaining a balance between human and nature; designing mechanisms that will create value for all stakeholders; including employees, shareholders, supply chains, society, and the planet.

The very nature of our business requires our projects to consume significant amounts of energy particularly during the construction phase. We have taken appropriate steps to alleviate this and have implemented measures to reduce wasteful practices. Some of these include:

- Installing energy-saving light fixtures and applying specific control systems to allow for optimisation of the elevators at our high-rise projects.
- For projects within the Central region, fitting the corridors with LED lightbulbs and the carpark with T5-fluorescent light tubes.
- Creating excellent ventilation via an open corridor concept – reducing the need for air conditioning or fans.
- Installing an elevator collective control system, increasing the efficiency of the elevator travel time while reducing energy consumption at the same time.

Some steps we have implemented to reduce energy usage within the office include:

- Moving from physical server to a cloud server to reduce energy cost.
- Closure of certain working floors and reorganisation of staff seating arrangement.
- Encouraging staff to use the stairs when moving between office floors.
- Ensuring the air conditioning and lights are turned off in the office during lunch time.

We remain committed to managing our resources effectively and efficiently and will continue to monitor our energy consumption across our projects and corporate buildings with the goal of reducing the Group's overall electricity usage.

### CENTRAL REGION



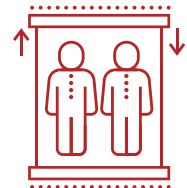
**LED  
Lightbulbs**



**T5 Fluorescent  
Light Tubes**



**Ventilation & Open  
Corridor Concept**



**Elevator Collective  
Control System**

### ENERGY SAVING INITIATIVES



**Install Energy-Saving  
Light Fixtures**



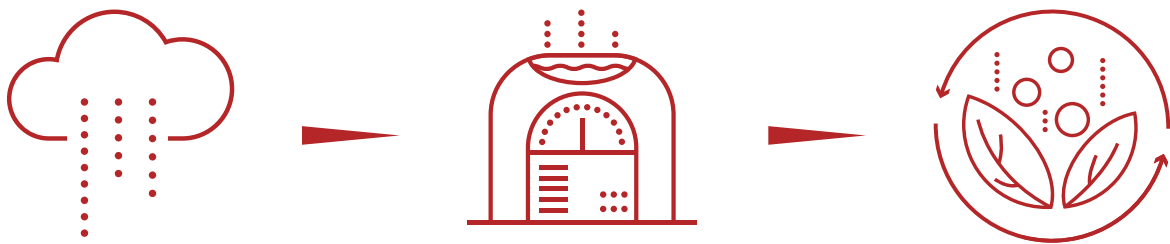
**Implement Control  
Systems**

# ≡ SUSTAINABILITY STATEMENT (CONT'D)

## WATER MANAGEMENT

The recent unpredictable weather pattern has highlighted the importance of an effective water management system and the necessity to utilise our water resources at an optimal level. Water conservation remains a critical issue and Hua Yang has been working towards reducing our water consumption via effective water efficiency planning without sacrificing comfort or performance.

As part of our efforts of utilising water efficiently and reducing wastage, we have put in place several water management initiatives. Notably, we have installed rain-water harvesting systems in our Northern, Central and Johor Bahru development projects. Water collected through this system is recycled for irrigation purposes as well as for landscape usage.



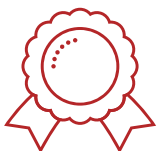
## RESPONSIBLE WASTE MANAGEMENT

Responsible waste management is critical to the construction industry by virtue of the sheer amount of waste the industry generates. To ensure there is no negative impact on the environment and society, an efficient and sustainable waste management system is key to safeguard the natural environment. A good waste management system is also able to free up landfills and improve energy production.

In previous projects, we employed independent contractors to ensure proper disposal of our waste according to stringent guidelines thus minimising pollution. In Johor, in Phase 1, Parcel 1 of our Elemence Project in Taman Denai Alam we employed an independent contractor to maintain the rubbish collection and minimise pollution for a six (6) month period before the Local Authorities took over waste management duties. Other phases of the Elemence project were educated on the importance of recycling during the construction stage including recycling scrap metal as well as centralised waste and recycling stations.

Finally, all our construction sites do undergo regular monitoring by regulatory bodies including the Department of Environment (DOE); ensuring we are in compliance with the Environmental Quality Act 1974 and its subsidiary regulations such as the Environmental Quality (Scheduled Wastes) Regulations 2005. We have also highlighted the importance of recycling and effective waste management within the Group and initiated an internal 'Go Paperless' campaign, encouraging all internal communications, documents and report submissions to be sent via emails. Hua Yang maintains that environmental sustainability is an essential component of our business and as a law-abiding organisation, we strive to discharge our duties responsibly to safeguard the environment.

## MONITORED BY THE DEPARTMENT OF ENVIRONMENT



**Environmental Quality Act  
1974 Compliance**



**Environmental Quality  
(Scheduled Wastes)  
Regulations 2005 Compliance**

## **SOCIAL SUSTAINABILITY**

Social sustainability manages and identifies the impacts that businesses have on employees, the supply chain, customers, and the local communities in which they operate. As a responsible business owner, Hua Yang recognises the importance of social sustainability as it relates to our relationships with our people, our communities and society at large.

Each and every one of our development projects is unique and affects the associated communities differently. As a result, we have always sought to positively engage with the communities where we have ongoing projects. Unfortunately, as there were still restrictions on movement and social gatherings, for FY2022 we were unable to organise or participate in any community programs but are hopeful that with the current move to endemicity, in FY2023 we will be able to contribute to the community in a more meaningful manner.

The Board of Directors (“the Board”) of Hua Yang Berhad (“Hua Yang” or “the Company”) is committed to ensure that the highest standards of corporate governance are implemented and maintained throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value. Therefore, the Board supports the principles laid out in the Malaysian Code on Corporate Governance 2021 (“the Code”). These principles and practices supported by existing internal controls processes, are regularly audited and reviewed to ensure that transparency, integrity and accountability has been in place for the financial year ended 31 March 2022. Further details on the application of each individual practice of the Code are available in the Corporate Governance Report that is available at the Company’s website [www.huayang.com.my](http://www.huayang.com.my).

This Statement is prepared pursuant to Paragraph 15.25 of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”) and the following describes how the Group has applied the principles and recommendations set out in the Code.

## **PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS**

### **BOARD RESPONSIBILITIES**

The Company is led and managed by an experienced Board comprising members with a wide range of experience in relevant field and bring a broad range of skills, experiences and knowledge required to successfully direct and supervise the Group’s business activity.

The role of the Board as stated in the Board Charter is as follows:

- Representing and promoting interest of the shareholders with a view to adding long-term value to the Company’s shares.
- Ensuring the positions of Chairman and Chief Executive Officer (“CEO”) are held by different individuals.
- Ensuring the Company Goals are clearly established, and that strategies plan developed by Management support long-term value creation and includes strategies on economic, environment and social consideration underpinned by sustainability.
- Directing future expansion and reviewing investment made by the Company.
- Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour.
- Establishing policies to strengthen the performance of the Company including ensuring that Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital.
- Monitoring the performance of Management to determine whether the business is being properly managed.
- Appointing the CEO, setting the terms of the CEO’s employment contract and, where necessary, terminating the CEO’s employment with the Company.
- Formulating the succession plan to ensure that all the candidates appointed to senior management positions are of sufficient calibre and that there are programmes to provide for the orderly succession of senior management.
- Deciding on steps to be taken to protect the Company’s assets and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken.
- Ensuring proper procedures are in place to ensure the Company’s financial statements are true and fair and prepared based on the applicable accounting standards. The financial performance of the Group are reviewed for integrity and approved by the Board.
- Ensuring that the Company has in place appropriate risk management / compliance policies and ensuring the implementation of appropriate internal controls and mitigating measures to manage such risks.
- Ensuring that the Company has in place procedures to enable effective communication with stakeholders.
- Ensuring the Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practice. The appointment and removal of the Secretary shall be a matter of the Board as a whole.

## **KEY RESPONSIBILITIES OF CHAIRMAN**

Tan Sri Dato' Seri Dr. Ting Chew Peh, the Independent Non-Executive Chairman is responsible for the effectiveness of conduct and governance of the Board.

The Chairman is principally responsible for the working of the Board which include:

- Providing overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions and ensuring the integrity and effectiveness of the governance process of the Board.
- Participating in the selection of Board members and ensuring that the membership is properly balanced.
- Setting agenda for Board meetings, usually in conjunction with the CEO and Secretary. The Chairman should ensure that the agenda and all necessary background papers are given to Directors 7 days before the meeting to enable the papers to be adequately considered before the meeting.
- Chairing meetings of the Board and general meeting in such a manner that will stimulate debate on the issues before the Board and encourage the most effective contribution from each Director.
- Facilitating meetings of the Board to ensure that no Directors, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among Directors is forthcoming.
- Reviewing the minutes of meetings of the Board before meeting, to ensure they accurately reflect the Board's deliberations, and matters arising from the minutes and on which further action is required have been addressed.
- Ensuring the Company provides an orientation and education program for new directors.
- Initiating, normally in conjunction with the CEO, the formulation of a business plan to ensure that the Board establishes at the beginning of each year the goals it wishes to achieve and the means by which this will be carried out.
- Initiating the establishment of Board Committees and ensuring that they achieve their objectives.
- Leading the Board in establishing and monitoring good corporate governance practices in the company.

The Chairman acts as an informal link between the Board and Management and particularly between the Board and the CEO to ensure the Company runs effectively and efficiently.

The Chairman, along with all other Directors, recognises that the CEO is the leader of the Company in all matters of Management. Although the Chairman is not involved in the Company's day-to-day operations and is kept informed by the CEO of all important matters and will make himself available to the CEO as part of the control mechanism in ensuring that the CEO's decisions are properly considered and are sound, providing assistance and advice when needed especially on sensitive matters which the CEO feels unable to discuss with other executives as well as to ensure that the CEO understands properly the Board's decisions and instructions. The CEO is responsible to report to the Board as a whole and not just to the Chairman.

The Chairman chairs all general meetings and uses this as an opportunity to inform shareholders of the Company's affair including its performance. He allows and encourage shareholders to have their say while remaining relevant to the matter at issue, and the Chairman then summarises and unifies thoughts and ideas that are discussed. He has control over the meeting to ensure the proceedings run smoothly.

The Chairman also leads the role in presenting the Company's proposal, whether formally or informally, with the authorities, institutional or potential investors and those having influence on the environment in which the Company operates.

At the moment the Chairman of the Board is also a member of the Board Committees. The Board will consider the application of Practice 1.4 of the Code in future when there are appointment of new Directors.

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

## **KEY RESPONSIBILITIES OF CEO**

Mr Ho Wen Yan holds the position of Chief Executive Officer.

The principal responsibilities of the CEO include:

- The CEO is responsible in leading the management team, implementation of the policies / decisions approved by the Board, and acts as the Group's official spokesperson.
- The CEO is responsible to plan the future direction of the Group for the Board's consideration and approval.
- Only decisions of the Board acting as a body are binding on the CEO. Decisions or instructions of individual Directors, officers or committees are not binding except in those instances where specific authorisation is given by the Board.
- The CEO, in association with the Chairman, is accountable to the Board for the achievement of the Company goals and the CEO is accountable for the observance of the Management Limitations.

## **KEY RESPONSIBILITIES OF COMPANY SECRETARIES**

The Board of Directors is supported by qualified and competent Company Secretaries.

The Company Secretaries have attended seminars and workshops during the financial year 2021/2022 to keep abreast with the latest development in the Listing Requirements and Companies Act 2016.

The responsibilities of the Company Secretaries are:

- Manage all board and committee meeting logistics, attend and record minutes of all board and committee meetings and facilitate board communications.
- Advise the Board on its roles and responsibilities.
- Facilitate the orientation of new directors and assist in director training and development.
- Advise the Board on corporate disclosures and compliance with company and securities regulations and listing requirements.
- Manage processes pertaining to the annual shareholder meeting.
- Monitor corporate governance developments and assist the board in applying governance practices to meet the Board's needs and stakeholders' expectations.
- Serves as a focal point for stakeholders' communication and engagement on corporate governance issues.

All Directors, particularly the Chairman, have access to the advice and services of the Secretaries for the purposes of the Board's affairs and the Business.

To facilitate robust Board discussion, the Chairman together with the Company Secretaries ensures that Directors are provided with sufficient information and time to prepare for Board meeting. The meeting materials are circulated at least 7 days in advance of the Board meeting.

The Company Secretaries record, prepare and circulate the minutes of the meetings of the Board and Board Committees and ensure that the minutes are properly kept at the registered office of the Company and produced for inspection, if required.

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

## **BOARD CHARTER**

The Board has formalised and adopted a Board Charter which serves as a source of reference for Directors. The Board Charter is established to provide guidance and clarity on the Board's roles and responsibilities as well as the relationship between the Board and shareholders.

The Board Charter also sets out processes and procedures for convening Board meetings. The Board reviews the Board Charter when it is necessary to ensure it remains consistent with the Board's objectives and responsibilities and any new regulations that may have an impact on the Board's responsibilities. The matters reserved for the Board are:

- Land / investment in subsidiary acquisitions, disposal, leasing and joint ventures with total purchase consideration at percentage ratio of 5% and above in respect of non-related party transaction and percentage ratio of 0.25% and above in respect of related party transaction as set in Listing Requirements.
- The approved Discretionary Authority Limit (DAL) should be read in tandem with this section.
- Transfer of funds within the Group shall be subject to the Board Resolution governing the mode of operation and signing conditions of each bank account.

The full Board Charter is available online at [www.huayang.com.my](http://www.huayang.com.my).

## **CODE OF CONDUCT AND BUSINESS ETHICS**

The Board is aware of the need to establish a corporate culture that would foster the common goal of achieving business profitability, whilst cultivating ethical business conducts.

The Board has developed and formalised a clear set of values that emphasises on a culture encompassing sound business practices and good ethical conduct and incorporated them in the Code of Conduct and Business Ethics. The Board has also formulated the Group's Policies and Procedures of which all employees are required to adhere to, failure of which will result in appropriate action being taken.

The full Code of Conduct and Business Ethics is available online at [www.huayang.com.my](http://www.huayang.com.my).

## **WHISTLEBLOWING POLICY AND PROCEDURES**

This will provide an avenue for the internal or external stakeholders to raise concerns related to possible improprieties in matters of compliance and other malpractices in an appropriate manner and without fear of reprisal or retaliation.

The Whistleblowing Policy seeks to enhance corporate governance by helping to foster an environment where integrity and ethical behaviour is maintained and any illegality, improper conduct and / or wrongdoings in the Group may be exposed.

The Policy serves as an early warning system and may enable the Group to remedy any wrongdoings before serious damage is caused.

The full Whistleblowing Policy and Procedures is available online at [www.huayang.com.my](http://www.huayang.com.my).

## **ANTI-BRIBERY AND ANTI-CORRUPTION POLICY**

The Group has established an Anti-Bribery and Anti-Corruption Policy which prohibits all forms of bribery and corruption practices pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

The Company is committed to uphold a high standard of business ethics to create an environment of mutual trust whilst increasing confidence of our stakeholders internally and externally.

The full Anti-Bribery and Anti-Corruption Policy is available online at [www.huayang.com.my](http://www.huayang.com.my).



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

## **INDEPENDENCE**

The Board comprises three (3) Independent Directors out of the six (6) Directors which represent 50% of the Board composition. The current ratio of Executive Director to Non-Executive Directors is 1:5 and this ensures that the Board decision-making is not pushed through by the executives. The Independent Directors play a key role in providing unbiased and independent views. They consistently strive to attend all the Board meetings to advise and contribute their knowledge and experience. This is to ensure the Board discussions takes into account the different viewpoints.

## **ANNUAL ASSESSMENT OF INDEPENDENCE**

The Board acknowledges the importance of Independent Non-Executive Directors, who provide objectivity, impartiality and independent judgement to ensure that there is an adequate check and balance on the Board. The Board assesses the independence of the Independent Non-Executive Directors on an annual basis by taking into account the individual Director's ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements of Bursa Securities.

Based on the assessment carried out during the financial year ended 31 March 2022, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company.

The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management of the Group. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of Management in meeting approved goals and objectives, and monitor the risk profile of the Company's business and the reporting of quarterly business performances.

## **TENURE OF INDEPENDENT DIRECTORS**

The Code states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, the Nomination Committee and Board have assessed, reviewed and determined that the length of service of a Director does not affect the Directors' ability to exercise their objective and independent judgment to discharge their duties and responsibilities.

Furthermore, the Board is satisfied that Tan Sri Dato' Seri Dr. Ting Chew Peh and Dato' Tan Bing Hua who have both served the Board as Independent Non-Executive Directors for more than twelve (12) years still remain objective and had actively participated in the Board's and Board Committee's discussion and provided independent views to the Board. From time to time, they ensured effective check and balance in the proceedings of the Board and Board Committees. Their vast experiences enabled them to provide the Board with a diverse set of experience and expertise.

## **BOARD COMPOSITION**

The Company has six (6) members on the Board of whom three (3) are Independent Non-Executive Directors (including the Chairman), one (1) Executive Director and two (2) Non-Independent Non-Executive Directors. A brief profile of each Director is presented on page 18 to 20 of this Annual Report.

The Company is led and managed by an experienced Board comprising members with a wide range of experience in relevant fields such as entrepreneurship, economics, legal, accounting, finance, administration, project development, management, marketing and public service. Together, the Directors bring a broad range of skills, experiences and knowledge to successfully direct and supervise the Group's business activities. The composition of the Board will reflect the duties and responsibilities that is to be discharged and performed as representative of the interests of shareholders, and in setting the Company's strategy and seeing that it is implemented.

Generally, the qualifications for Board membership are the ability and intelligence to make sensible business decisions and recommendations, an entrepreneurial talent for contributing to the creation of Shareholder value, the ability to see the wider picture, the ability to ask the critical questions, preferably some experience in the industry sector, high ethical standards, sound practical sense, and a total commitment to furthering the interests of shareholders and the achievement of the Company goals.

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

Independent Non-Executive Directors will be active in areas which enable them to relate to the strategies of the Company and to make a meaningful contribution to the Board's deliberations. They will be independent of Management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. To be effective, Independent Non-Executive Directors should make up at least one third of the Board membership.

The size of the Board will be such that involvement, participation, harmony and sense of responsibility of the Director are not jeopardised. It must be large enough to ensure a range of knowledge, views and experience. Generally, in addition to the listing requirement that one third of the Board should comprise of Independent Non-Executive Directors, the Board should include a number of Directors which fairly reflects the investment in the Company by shareholders other than the significant shareholders.

Directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company but shall be eligible for re-election.

Directors shall retire from office at least once every three years but shall be eligible for re-election.

During the financial year 2022, the Board through its Nomination Committee conducted an annual review of the Board's size, composition and balance and concluded that the Board's dynamics are healthy and effective. The present members of the Board possess the appropriate skills, experience and qualities to steer the Group forward. The Nomination Committee is also satisfied that the existing structure, size, composition, current mix of skills, competence, knowledge, experience and qualities of the existing Board members are appropriate to enable the Board to carry out its responsibilities effectively.

The Board will continue to monitor and review the Board size and composition and will nominate new members as and when the need arises.

### **SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR**

The Board has appointed Dato' Tan Bing Hua as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed. The Senior Independent Non-Executive Director provides a secure and confidential channel to address any concerns conveyed to him directly on matters relating to the Company. Dato' Tan Bing Hua is authorised to seek information as required, from any employee of the Company and all employees are directed to co-operate on any request made by the Senior Independent Non-Executive Director. During the year, there was no issue raised to the Senior Independent Non-Executive Director.

### **PROMOTE SUSTAINABILITY**

The Board is aware of the importance of business sustainability and ensures that there is a plan for promoting sustainability embedded in the development of the Group's strategies, taking into account the environmental, social, cultural and governance aspects of business operations. These strategies seek to meet the expectations of stakeholders such as customers, shareholders, regulators, bankers, joint venture partners and the communities in which the Group operates.

The Sustainability Statement is set out on pages 34 to 43 of this Annual Report.

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

## **ACCESS TO INFORMATION AND ADVICE**

The Board has full and unrestricted access to all information pertaining to the Group's business and affairs on the Group's developments and business strategies, to enable them to discharge their duties effectively. The agenda and board papers are circulated to the Board members prior to the Board meetings in advance to allow sufficient time for the Board to review, consider and deliberate knowledgeable on the issues and, where necessary, to obtain further information and explanations to facilitate informed decision making.

Senior Management officers may be invited to attend Board meetings when necessary, to furnish the Board with explanations and comments on the relevant agenda items tabled at the Board meetings or to provide clarification on issue(s) that may be raised by any Director.

All Directors have direct and unrestricted access to the advice and services of the Company Secretaries and Senior Management and the Board may seek independent professional advice, at the Company's expense if the cost is reasonable in practice.

## **BOARD DIVERSITY**

The Board is aware of the gender diversity policy and target as set out in Practice 5.9 and 5.10 of the Code. When appointing a Director, the Nomination Committee and the Board will always evaluate and match the criteria of the candidate to the Board based on individual merits, experience, skill, competency, knowledge and potential contribution, as well as take into consideration the boardroom diversity.

The Board has established a policy to have at least 10% of women Directors on the Board as the Board recognises the value it can bring. Currently, the Board comprises of 33% women Directors, namely, Mdm Chew Po Sim and Y.A.M. Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud. The age of the Directors range from 48 to 79 and this creates an environment where each generation brings different skills, experience and talents to the Board.

## **CRITERIA FOR RECRUITMENT AND ASSESSMENT**

There is a transparent process for selection, nomination and appointment of suitable candidates to the Board.

The candidates for the Board appointment has been delegated to the Nomination Committee. Such responsibilities include recommendation to the Board of suitable candidates for all directorship to be filled and review annually its mix of skills and experience and other qualities, including core competencies which Non-Executive Director should bring to the Board. In addition, the effectiveness of the Board as a whole by the contribution of each individual Director will be assessed by Nomination Committee.

## **DIRECTORS' REMUNERATION**

The Remuneration Committee is to establish an annually review of the remuneration packages for each individual Executive and Non-Executive Director and Management.

The remuneration of Directors and Management is determined at levels which will enable the Company to attract and retain the Executive Directors and Management in order to run the Company successfully.

Other than the Executive Director, all Non-Executive Directors are paid a fixed fee for each Board and Committee meeting they attend. Directors' fees are subject to the approval of shareholders. The Chairman of the Board and Board Committee are paid a higher fee compared to other Board members and Board Committee members in recognition of their additional responsibilities.

## ≡ CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Executive Director's remuneration is contractual and reflects the Board's recognition of his skills and experience in the industry, job responsibilities and the Group's performance against financial objectives. The Executive Director does not participate in discussion on his own remuneration. It is the ultimate responsibility of the entire Board to approve the remuneration of the Executive Director. The Executive Director would abstain from discussion and decision on his own remuneration.

The Board as a whole determines the remuneration package of Non-Executive Directors including the Independent Chairman by linking the remuneration to their experience and level of responsibilities undertaken.

The details of the remuneration of the Directors in respect of the financial year ended 31 March 2022 are as follows:

	Fees (RM)		Salaries (RM)	Bonuses (RM)	Meeting attendance allowance (RM)	Estimated money value of benefits-in-kind (RM)
	Company	Subsidiaries	Company	Company	Company	Company
<b>Executive Director</b>						
Ho Wen Yan	-	-	729,590	61,100	-	7,200
<b>Non-Executive Directors</b>						
Tan Sri Dato' Seri Dr. Ting Chew Peh	163,490	-	-	-	6,000	7,200
Dato' Tan Bing Hua	125,140	-	-	-	6,000	-
Chew Hoe Soon	118,340	-	-	-	6,000	-
Chew Po Sim	94,000	-	-	-	6,000	-
Y.A.M. Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud	99,220	-	-	-	6,000	-
Ho Wen Fan	-	18,147	-	-	-	-
<b>Total</b>	<b>600,190</b>	<b>18,147</b>	<b>729,590</b>	<b>61,100</b>	<b>30,000</b>	<b>14,400</b>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## DIRECTORS' TRAINING

All directors have attended and successfully completed the Mandatory Accreditation Programme as required by Bursa Securities. In addition, seminars and conferences organised by Bursa Securities, relevant regulatory bodies and professional bodies on areas pertinent to the Directors are communicated to the Board for their participation. The Board will also identify training needs amongst the Directors and enrol the Directors for training programme, as and when required.

During the financial year, the Directors have attended training programmes, the details of which are set out as follows:

Director	Training Programme	Date of Training
Tan Sri Dato' Seri Dr. Ting Chew Peh	1. Sustainable Finance: Making Better Financial Decisions	9 April 2021
	2. Building A Resilient Business Through Sustainability – Earth Day Panel Discussion	22 April 2021
	3. Revised Malaysian Code on Corporate Governance	24 May 2021
	4. The Rise of AI and It's Impact on Strategy and Business	26 May 2021
	5. The Healthy Board: Achieving Optimum Health at Board Level	30 July 2021
	6. The National Recovery Summit 2021: Winning The War Against COVID – The Road to Recovery	9 September 2021
	7. A Pathway to Transformation and Stability	16 September 2021
	8. Go ESG ASEAN - Corporate Sustainability Virtual Summit and Exhibition	24 & 25 November 2021
Ho Wen Yan	1. Revised Malaysian Code on Corporate Governance	24 May 2021
Dato' Tan Bing Hua	1. Revised Malaysian Code on Corporate Governance	24 May 2021
Chew Hoe Soon	1. Revised Malaysian Code on Corporate Governance	24 May 2021
Chew Po Sim	1. Revised Malaysian Code on Corporate Governance	24 May 2021
Y.A.M Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud	1. Revised Malaysian Code on Corporate Governance	24 May 2021
	2. MIA Webinar Series: Governance In The New Norm	10 September 2021

## RETIREMENT OF DIRECTORS

In accordance with the Company's Constitution, one-third (1/3) or nearest to one-third (1/3) of the Directors shall retire from office and be eligible for re-election at each annual general meeting provided that all Directors shall retire from office once at least in every three (3) years but shall be eligible for re-election. Directors appointed during the year are subject to retirement and re-election by shareholders in the Annual General Meeting immediately after his/her appointment. A retiring Director shall retain office until the close of the meeting at which he retires.

Each year, the Nomination Committee assesses the experience, competence, integrity and capability of each Director who wishes to continue his office before making recommendation to the Board. The Nomination Committee has at its meeting on 24 May 2021 evaluated the performance and recommended the re-election of the retiring Directors, Mr Ho Wen Yan and Y.A.M. Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud.

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

## **PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

### **BOARD COMMITTEE**

#### **i Audit Committee**

The Board is assisted by the Audit Committee, which operates within clearly defined key functions. The composition, terms of reference and activities of the Audit Committee are set out on pages 56 to 58 of this annual report.

#### **ii Nomination Committee**

The Board is also assisted by the Nomination Committee, which operates within clearly defined key functions. The composition, terms of reference and activities of the Nomination Committee are set out on pages 59 to 60 of this annual report.

#### **iii Remuneration Committee**

The Remuneration Committee met once during the financial year and the activities which had been carried out were as follows:

- Reviewed and recommended the bonus, increment and benefits of the staff, senior management and Executive Director to the Board by linking their rewards to corporate and individual performance; and
- Reviewed the Directors' fees and meeting attendance allowance.

## **SOUND AND RISK MANAGEMENT AND INTERNAL CONTROLS SYSTEM**

The Board acknowledges its responsibility for the Group's system of risk management and internal control and for reviewing its effectiveness regularly by setting up an internal audit and risk management audit function which provides support to Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of risk management and internal control within the Group.

The Statement on Risk Management and Internal Control which has been reviewed by the External Auditors and Audit Committee is set out on pages 62 to 64 of this annual report.

### **INTERNAL AUDIT FUNCTION**

The Directors acknowledge their responsibility to maintain a system of internal control and risk management. The Board seeks regular assurance on the continuity and effectiveness of the internal control and risk management system through independent review by the internal auditors.

The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control and risk management is satisfactory and operating effectively.

The activities of the internal auditors during the financial year are set out in the Audit Committee Report set out on pages 56 to 58 of this annual report.

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

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

### **COMPLIANCE WITH APPLICABLE FINANCIAL REPORTING STANDARDS**

The Directors are required by the Companies Act 2016 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group. The Directors are satisfied with the presentation of the financial statements of which has been prepared in accordance with the applicable accounting standards, consistently applied and supported by reasonable and prudent judgments and estimates. The Audit Committee assists the Board by scrutinising the information to be disclosed, to ensure accuracy and adequacy. The Group's financial statements are presented on pages 72 to 161 of this annual report.

### **ASSESSMENT OF SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS**

Through the Audit Committee of the Board, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external. The external auditors are invited to attend meetings on special matters when necessary.

### **STATEMENT ON DIRECTORS' RESPONSIBILITIES**

The Directors are required by the Companies Act 2016 to prepare financial statements which have been made out in accordance with the Financial Reporting Standards in Malaysia and to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year then ended.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- ensured that Financial Reporting Standards in Malaysia have been followed; and
- considered the going concern basis used as being appropriate.

The Directors are responsible for ensuring that proper accounting records are kept in compliance with the Companies Act 2016 and disclose with reasonable accuracy of the financial position of the Group and of the Company.

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

### **ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

#### **CORPORATE DISCLOSURE POLICY**

The Board is satisfied that during the financial year under review, the Company has applied most of the Principles and Recommendations of the Code.

The Board will, moving forward, continue to make considerable efforts in working towards aligning the Company's governance framework as far as practicable to the Principles and Recommendations of the Code.

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

## **LEVERAGE ON INFORMATION TECHNOLOGY FOR EFFECTIVE DISSEMINATION OF INFORMATION**

The Board values the importance of effective, clear and timely releases of financial information and updates on other developments to enable shareholders and the general public to receive information on the performance and prospects of the Group on a regular basis.

Shareholders, investors and members of the public are able to access such announcements on Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) and other information via the Company's website at [www.huayang.com.my](http://www.huayang.com.my).

Shareholders, investors and members of the public may also forward their queries to the Company by contacting its Corporate Communication team at Tel: 603-6188 4488 and Email: [kl@huayang.com.my](mailto:kl@huayang.com.my).

The Board recognises the use of the Annual General Meeting as a principal forum for dialogue and communication with shareholders. Extraordinary General Meeting are held as and when required.

## **ENCOURAGE SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS**

The Annual Report, which contains the Notice of Annual General Meeting, is sent to shareholders at least 28 days prior to the date of the meeting. Items of special business included in the Notice of Annual General Meeting will be accompanied by an explanation of the proposed resolution.

At each meeting, shareholders are able to participate in the question-and-answer session in respect of the matters listed in the Notice of Annual General Meeting. There is no time limitation for shareholders to raise questions and to solicit replies from the Board.

Paragraph 8.29A of the Main Market Listing Requirements provides that any resolution set out in the notice of any general meeting or in any notice of resolution which properly be moved and is intended to be moved at any general meeting, shall be voted by poll. At least one (1) scrutineer will be appointed to validate the votes cast at the general meeting who must not be an officer of the Company or its related corporation, and must be independent of the person undertaking the polling process. Consequently, decisions at the Company's AGM scheduled to be held on 30 August 2022 will be conducted via polling, and for this purpose, the Company will engage independent scrutineers to validate the voting at the forthcoming AGM for each proposal presented to shareholders.

## **EFFECTIVE COMMUNICATION AND PROACTIVE ENGAGEMENT**

An Investor Relations and Shareholder Communication Policy has been adopted by the Board to enable the Company to communicate effectively with its shareholders, potential investors, other stakeholders and public generally. The Board recognise and values the importance of informing shareholders of all major developments of the Group on a timely basis.

Apart from the mandatory announcements on the Group's financial results and corporate developments to Bursa Securities, the Group disseminates information to the public via press releases which provide up-to-date information on the Group's key corporate initiatives, new products and services launches.

## **TIME COMMITMENT**

Board meetings are held at regular intervals with additional meetings convened when necessary. During the financial year, the Board met five (5) times to review the Group's operations, quarterly and annual financial statements and any other matters that required the Board's approval. Details of each Director's attendance are set out on page 21 of this annual report.



# **AUDIT COMMITTEE REPORT**

The Audit Committee currently comprises of the following members:-

<b>Chairman</b>	Dato' Tan Bing Hua (Senior Independent Non-Executive Director)
<b>Members</b>	Tan Sri Dato' Seri Dr. Ting Chew Peh (Independent Non-Executive Director) Chew Hoe Soon (Non-Independent Non-Executive Director)

## **KEY FUNCTIONS OF AUDIT COMMITTEE**

- To consider any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- To review the quarterly unaudited financial results announcements, the audited financial statements of the Group before recommending for the Board of Directors' approval, focusing on:
  - compliance with accounting standards and regulatory requirements
  - any changes in accounting policies and practices
  - compliance with Bursa Malaysia and other statutory requirements
  - going concern issues of any activities
  - significant and unusual issues arising from the audit
- To discuss with the external auditor the results of the audit and areas for improvement in the system of internal control identified during the audit, if any;
- To consider and recommend the appointment of the external auditors, their remuneration and any questions of resignation or dismissal;
- To recommend the nomination of a person or persons as external, internal and risk auditors;
- To assist the Board in the review of adequacy and effectiveness of the internal control system including information technology security and control, and the policies and compliance procedures with respect to business practice;
- To review the risk management policies and practices of the Group to ensure their effectiveness;
- To assist the Board in the preparation of the Audit Committee Report for inclusion in the Annual Report;
- To discuss with the external auditors, their audit plan and the scope of audit and ensure co-ordination where more than one audit firm is involved;
- To review the assistance given by the employees of the Group to the external auditors;
- To carry out such other responsibilities, functions or assignments as may be directed by the Board of Directors from time to time;
- To review the findings of any examination by regulatory agencies and any auditor observations relating to compliance matters;
- To do the following in relation to the outsourced internal audit function:
  - to review the internal audit programme and consider the findings arising from internal audit report or other internal investigations and management's response and to determine appropriate corrective actions required by management;
  - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work; and
  - to assess the performance of the outsourced service provider.
- To consider other topics as defined by the Board.

# **AUDIT COMMITTEE REPORT (CONT'D)**

## **MEETINGS**

Five (5) meetings were held during the financial year ended 31 March 2022 and the attendance of the Audit Committee is as follows:

<b>No.</b>	<b>Name of Committee</b>	<b>Attendance</b>
1.	Dato' Tan Bing Hua	5/5
2.	Tan Sri Dato' Seri Dr. Ting Chew Peh	5/5
3.	Chew Hoe Soon	5/5

The External Auditors were invited to present their report on the examination of the financial statements. The Audit Committee met with the External Auditors once during the year without the presence of the Executive Board member and executives of the Company. The Chief Executive Office and the Chief Financial Officer attends the Audit Committee meeting to present the financial results whilst other Board members attend on invitation.

The Chairman of the Audit Committee engages on a continuous basis with senior management of the Company in order to be kept informed of matters affecting the Company.

Nothing has come to the attention of the Audit Committee that causes them to believe that the financial reporting is inconsistent with the accounting standards and other legal requirements.

## **HIGHLIGHTS OF ACTIVITIES**

In accordance with the terms of reference of the Audit Committee, the following activities were undertaken by the Audit Committee during the financial year ended 31 March 2022:

- a. Reviewed the unaudited consolidated quarterly results and audited financial statements of the Company and of the Group before recommending them to the Board for approval and prior to the announcement / submission to Bursa Securities.
- b. Reviewed the results of the external audit with the external auditors.
- c. Reviewed the performance of the external auditors and internal auditors.
- d. Reviewed and approved the internal audit plan and internal audit reports and considered the major findings of internal audit review and management's response.
- e. Reviewed and approved the enterprise risk management plan and risk assessment audit report.
- f. Reviewed the Statement on Risk Management and Internal Control and the Audit Committee Report for inclusion into the Annual Report.
- g. Reviewed and proposed the appointment of a new external auditors and recommended the proposed audit fees to the Board for approval.
- h. Reviewed the Audit Planning Memorandum with the new external auditors.

## **INTERNAL AUDIT FUNCTION**

The Group's internal audit function has been outsourced to an external professional service provider firm, Resolve IR Sdn Bhd ("RESOLVE"). In accordance with its terms of reference, the outsourced internal audit function reports directly to the Audit Committee. The responsibility of the internal audit function is mainly to undertake independent and systematic assessment of the Group's system of internal control, risk management and governance with a view to provide assurance on its adequacy and effectiveness.

In accordance with the approved internal audit plan, the internal audit function has carried out independent reviews on the Group's risk management framework as well as the risk management and reporting processes embedded within the Group's internal control system according to the approved internal audit plan. The reviews were conducted in accordance with The Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Enterprise Risk Management Framework and applicable standards of the International Professional Practices Framework issued by the Institute of Internal Auditors. The report and deliverables arising from the above-mentioned reviews were presented to the Audit Committee for deliberation.

Independence of the internal audit function is being reviewed on an annual basis. RESOLVE had confirmed to the Audit Committee on their independence and that they are free from any conflict of interest that may impair their objectivity.

The total cost incurred for the Group's internal audit services in respect of the financial year was RM25,000.

For the financial year 2022, the main activities of the internal audit function focused on the following:

- a. Assessed the adequacy and effectiveness of system of internal control and compliance with policies and procedures on Investment Appraisal and Management; and
- b. Assessed the adequacy and effectiveness of system of internal control and compliance with policies and procedures on Project Management – Pre-Development.

# **NOMINATION COMMITTEE REPORT**

## **COMPOSITION**

The Company has established a Nomination Committee comprising:-

<b>Chairman</b>	Tan Sri Dato' Seri Dr. Ting Chew Peh (Independent Non-Executive Director)
<b>Members</b>	Dato' Tan Bing Hua (Senior Independent Non-Executive Director) Chew Hoe Soon (Non-Independent Non-Executive Director)

The Nomination Committee has a written terms of reference dealing with its authority and duties which includes the selection and assessment of Directors.

## **KEY FUNCTIONS OF NOMINATION COMMITTEE**

The key functions of the Nomination Committee are as follows:

- Review and recommend to the Board for approval of the following appointments:
  - a. Members of the Board;
  - b. Members of the Board Committees;
  - c. Members of the Management Committee;
  - d. Senior Independent Non-Executive Director; and
  - e. Chief Executive Officer.
- Review regularly the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- Assess annually, the effectiveness of the Board as a whole and each individual Director, as well as the effectiveness of the various committees of the Board, including the establishment and implementation of processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each director, including his time commitment, character, experience and integrity and all assessments and evaluations carried out by the Committee in the discharge of all its functions shall be properly documented;
- Review annually, the term of office and performance of the Remuneration Committee and of each member of the Audit Committee to determine the Committee have carried out their duties in accordance with their terms of reference;
- Assess on an annual basis the independence of the Independent Non-Executive Directors;
- To give consideration to succession planning for Directors and other Senior Management staff, taking into account the challenges and opportunities facing the Company and the skills and expertise needed on the Board in the future;
- Review the performance of the members of the Management Committee; and
- Assess the training needs of each Directors and make recommendations to the Board.

The Nomination Committee met two times during the financial year ended 31 March 2022.

## **HIGHLIGHTS OF ACTIVITIES**

During the financial year ended 31 March 2022, the Nomination Committee, in discharging its functions and duties, carried out the following activities:

- a. Assessed the effectiveness of the Board as a whole and the contribution of each individual Director;
- b. Reviewed the size, composition and the required mix of skills of the Board;
- c. Recommended the re-election of retiring Directors to the Board;
- d. Assessed the independence of the Independent Directors and recommend the continuation in office of Independent Directors who have served more than twelve years; and
- e. Reviewed the Nomination Committee Report for inclusion into the Annual Report.

The Nomination Committee upon its annual assessment carried out for financial year 2022, was satisfied that:

- a. The size and composition of the Company's Board is optimum with appropriate mix of knowledge, skills, attribute and core competencies;
- b. The Board has been able to discharge its duties professionally and effectively;
- c. The Board Committees have carried out their functions effectively;
- d. All the Directors continued to uphold the highest governance standards in discharging their duties and responsibilities;
- e. All the Members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective skills and work experience, academics and professional qualifications, depth of knowledge, and their personal qualities;
- f. The Directors are able to devote sufficient time commitment to their roles and responsibilities as evidenced by their attendance records; and
- g. The training attended by the Directors during the financial year ended 31 March 2022 were relevant and would serve to enhance their effectiveness in the Board.

## **ADDITIONAL COMPLIANCE INFORMATION**

To comply with the Listing Requirements, the following information is provided:-

### **1. Utilisation of Proceeds Raised from any Corporate Proposals**

There were no corporate proposal undertaken to raise proceeds.

### **2. Audit and Non-Audit Fees**

The details of fees paid / payable to the external auditors for the financial year ended 31 March 2022 as set out below:

	<b>Group (RM'000)</b>	<b>Company (RM'000)</b>
Statutory Audit	237	80
Other Services	6	6
<b>Total</b>	<b>243</b>	<b>86</b>

### **3. Material Contracts Involving Directors and Major Shareholders' Interest**

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors and major shareholders' interest either subsisting at the end of the financial year or entered into since the end of the previous financial year.

# **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

## FOR FINANCIAL YEAR ENDED 31 MARCH 2022

### **INTRODUCTION**

The Board of Directors (“the Board”) of Hua Yang Berhad (“HYB” or “the Company”) remains committed towards maintaining high standards of governance, accountability and transparency as well as towards governing itself in accordance with the relevant regulations and laws with the objectives of safeguarding shareholders’ interest as well as protecting the Company’s assets. In line with this, the Board of Directors (“the Board”) of HYB is pleased to provide the following statement as required under Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which is prepared in accordance with the guidance in the Statement on Risk Management and Internal Control: Guidelines for Directors’ of Listed Issuers. This statement outlines the nature and scope of internal control of HYB Group (“the Group”) and the risk management framework for the financial year ended 31 March 2022.

### **BOARD RESPONSIBILITIES**

The Board acknowledges its responsibilities in maintaining a risk management framework and internal control system as well as to review the adequacy and integrity of the system. The system of risk management and internal control covers, inter alia, financial, operational, management information systems, organisational and compliance controls. In view of the inherent limitations in any system of risk management and internal control, such system is designed to manage rather than eliminate the risks that may impede the achievement of the Group’s business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

### **RISK MANAGEMENT**

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and this process has been in place throughout the year and up to the date of approval of this annual report and financial statements. The Board reviews the adequacy and effectiveness of the risk management process across the various business segments within the Group on a periodic basis.

Whilst the Board maintains ultimate control over management of risk and control issues, the Board has outsourced the risk assessment scope of work to a professional services firm to facilitate the risk assessment of the Group within an established framework.

The risk management process of the Group is embedded in the Group’s Risk Management Framework & Policy and Procedure.

The risk management process, amongst others, include the following procedures:

- Identify significant risks
- Assess the potential impact and likelihood of the significant risks occurring
- Respond to risks by considering existing controls as well as selecting, prioritising and implementing appropriate actions and risk responses to mitigate residual risks
- Monitor the internal and external environment for potential changes impacting significant risks and ensure that risk responses continue to operate effectively
- Report on significant risks and the status of risk responses adopted

The above procedures were undertaken in a risk validation meeting during the year, which is attended by key management personnel and heads of department of the Group’s various business segments. The Significant Risk Profile (“SRP”) of the various business segments are updated during such validation meetings in respect of the identification of new significant risk, the relevance of existing significant risks, details of controls, management’s action plans and rating of significant risks.

Based on the information furnished during the validation meetings, information on root causes and possible consequences of significant risks, related controls and risk responses are compiled into Key Risk Indicators (“KRI”) and are reflected in the respective individual SRPs. In compiling the KRI, the identified significant risks are also rated and prioritised in terms of likelihood of the risk occurring and its impact should the risk occur. In the event the risk ratings are regarded by the Group to be higher than tolerable levels, action plans and risk responses are devised to establish additional mitigation measures to reduce the risk rating to acceptable levels, where possible.

# **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)**

FOR FINANCIAL YEAR ENDED 31 MARCH 2022

## **INTERNAL CONTROL MECHANISM**

The internal audit function is outsourced to a professional services firm. During the financial year ended 31 March 2022, the outsourced internal audit service provider carried out audits in accordance with the internal audit plan approved by the Audit Committee and other areas as required and recommended by Senior Management of the Group. Results of the internal audit visits and recommendations for improvement were presented to the Audit Committee.

During the scheduled internal audit visits, the outsourced internal audit service provider has conducted an assessment to ascertain the adequacy and effectiveness of the Group's risk management framework. Areas of improvement in the risk management framework have been identified and the implementation of action plans based on proposed recommendations have subsequently been initiated.

## **OTHER KEY ELEMENTS OF INTERNAL CONTROL**

### **Organisation Structure & Authorisation Procedures**

The Group maintains a formal line of reporting, that includes the division of responsibilities and delegation of authority. It sets out the roles and responsibilities, authority limits, review and approval procedures within the various operational segments. This includes establishing various committees with defined terms of reference.

### **Periodical and/or Annual Budget**

The Group has a budgeting and forecasting system. The annual business plan and budget are approved by the Board. Actual results are monitored against budget where significant variances identified are highlighted to the Board for discussion on corrective action.

### **Scheduled Operational and Management Committee Meetings**

Operational and Management Committee Meetings are held at least once a month to discuss and monitor business and operational performances of the Group. Proceedings of the Operational and Management Committee Meetings are minuted and presented to the Board at their quarterly meetings.

### **Periodic Reporting**

Quarterly Management Discussion and Analysis are submitted by the Chief Financial Officer to the Board to provide a brief overview on financial and operational performance of the Group.

### **Site Visits**

Site visits for on-going projects are performed by members of the Management team to ensure that contractual obligations of the Group are met.

### **Human Resource Policies & Procedures**

Human resource policies and procedures on recruitment, performance appraisals and promotion are in place. The objective of the human resource policies and procedures is to ensure that the Group has a team of employees who are well trained and equipped with the necessary knowledge, skills and abilities to carry out their responsibilities and tasks effectively.

### **Discretionary Authority Limits**

The Board has formally defined levels of authority for various transactions through HYB's Discretionary Authority Limits.



# ≡ **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)**

FOR FINANCIAL YEAR ENDED 31 MARCH 2022

## **OTHER KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)**

### **Anti-Bribery and Anti-Corruption Policy**

During the year under review, the Group continued to enforce the application of the Anti-Bribery and Anti-Corruption Policy that decrees zero tolerance against all forms of bribery and corruption within the Group. Pursuant to this, the Group has also considered corruption risk as part of the Group's periodic risk assessment to identify areas vulnerable to bribery and corruption.

### **Whistle Blowing Policy**

The Group has promulgated its Whistleblowing Policy to allow for genuine concerns on any improper conduct or behaviour or action within the Group to be reported using private and confidential channels. No reports were received during the financial year.

## **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3 (AAPG 3): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 March 2022 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respect:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

## **SUMMARY**

The Board has received assurance from HYB's Chief Executive Officer and Chief Financial Officer that the risk management and internal control system is operating adequately and effectively in all material aspects.

In accordance with the assessment of the Group's system of risk management and internal control, the Board is of the view that the risks undertaken by the Group were within tolerable level in the context of the business environment the Group operates in. The system of risk management and internal control that existed throughout the year comprising the internal control framework, management processes, monitoring and review process, provided a level of confidence on which the Board is able to rely upon for assurance. During the year under review, nothing has come to the attention of the Board which would result in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report. Notwithstanding this, the Board will continue to ensure that the Group's system of risk management and internal control will continuously evolve with the current changing and challenging business environment.

This statement was approved by the Board of Directors at its Meeting held on 20 July 2022.