



Tan Sri Dato' Seri Dr. Ting Chew Peh

Chairman / Independent Non-Executive Director

Dear Shareholders,

Over the past year, we have been adjusting to the 'new normal' that COVID-19 brought upon us. During this time, we have been able to reassess our growth opportunities within this new normal, reconfigure our business models to better realise new opportunities and re-strategise our marketing plans. For over a year, we have dealt with various issues ranging from supply chain disruptions to launch delays all while ensuring business continuity. Needless to say, the pandemic has had a significant impact on our priorities for the coming year, with Hua Yang to continue taking prudent financial and operational actions to safeguard business operations. Cost management measures were implemented throughout the financial year so that operational overheads were covered and business could go on. Our immediate focus has now changed to that of ensuring that Hua Yang maintains a robust financial health to withstand other challenges arising from Covid-19. A strong balance sheet as well as prudent risk management are vital for us to successfully navigate through this period.

On the financial side, Hua Yang experienced a weaker FY2021 performance, reflecting the weak property market impacted by the Movement Control Orders ("MCO"). Revenue was lower at RM159.6 million, affected by the ceasing of construction activities during the MCO period. However, our fourth quarter for financial year ended 31 March 2021 ("4Q FY21") performance improved on a quarterly basis compared to the previous year due to steady construction activities during this time period with 4Q FY21 revenue rising 35% to RM76.6 million.

We have had to adapt to evolving situations due to Covid-19 and have taken steps to mitigate the challenges, including a heavier reliance on online marketing and sales strategies to reach our potential clients, replanning launches of new products as well as land banking strategies and tie ins with financial institutions (i.e. mortgage plan) to make product offerings more attractive. I am proud at the way we have adapted to this new environment as we utilised more digital and online measures to accommodate the new normal. We have become more reliant on digital sales and marketing strategies and have transformed these strategies to target younger and future buyers.

Gross Domestic Product ("GDP") growth for 2020 was contracted at 5.6% while Bank Negara projects GDP for 2021 to grow between 6% and 7.5%. Overall, the economy is expected to improve and recovery of the property market will follow suit, but this will most likely be a gradual process with results seen towards the second half of 2021. The continuation of the Government's mega projects such as Mass Rapid Transit 3 ("MRT3") will provide a much-needed boost to the property market while Hua Yang's core focus on affordable and quality homes is very much in line with Budget 2021's focus and incentives for home ownership for the B40 group.

Although the property sector as a whole remains soft, it is not all doom-and-gloom as the market for affordable homes continues to dominate. Furthermore, government incentives such as the reintroduction of the Home Ownership Campaign ("HOC"), stamp duty exemption, the removal of 70% financial limits and lower interest rates will ease financing and spur demand in the property market particularly among first-time home buyers, which forms part of our target market. Our core values remain the same. Quality homes at affordable prices. This pandemic has further strengthened the importance of having a home, not only as shelter but also as the centre for families in challenging times.

We believe Hua Yang is well positioned to benefit from these fundamentals and to take a strong leap forward when the COVID-19 crisis passes, as it inevitably will. The National Vaccination Programme is off to a good start and it is expected to pick up the pace even more in the coming months. Moreover, as a company we are resilient, with over 43 years of experience in the property market, proven and established track records, experienced and dedicated personnel and our unwavering focus of providing quality, affordable homes will allow us to emerge from this crisis in a stronger position.

We take this opportunity to thank all of our stakeholders for their tremendous support. I wish to express my sincere gratitude to our staff for their tireless commitment and adjustment to working from home while managing relationships with our customers throughout this difficult time. I also wish to record my appreciation to our Board of Directors for their expertise and advise, in steering the Company during these unprecedented times.

“Hua Yang remains committed to delivering a unique brand of quality homes in key strategic urban hotspots across Malaysia.

The Group advocates modern yet practical concepts and designs that are tailor made to appeal to the next generation of home buyers.”

Ho Wen Yan

Chief Executive Officer



Management Discussion and Analysis Report (cont'd)

Dear Shareholders,

In the midst of an extremely challenging year, the Group presented a rather subdued performance in the financial year 2021 ("FY2021"), undermined by the current economic downturn and weak consumer confidence brought on by the pandemic overhang. The pandemic has caused people to stay at home more; meaning the requirement for a home to suit everyone's needs became more important than ever. In fact, some economists have noted how, during the pandemic, households spending patterns have shifted with less allocation towards travel, vacations, dining out, entertaining, and commuting, and more for housing, particularly if more space is needed to work from home. Interestingly the pandemic has also pushed more millennials into homeownership, which bodes well for us since we have always been at the forefront of the affordable housing industry. We will continue to offer affordable and quality homes and are proud to report that we have managed to deliver more than 21,229 homes to our customers.

Covid-19 has amplified and accelerated a trend towards digitalisation. Although this trend has been on the rise in recent years, the pandemic caused a structural shift as well due to the scale and duration of enforced MCO. This resulted in businesses reshaping their strategies in order to fit with the new normal. On our end, we have developed a strategy for digital engagement with our customers and make the whole online experience for our home-owners and new buyers a pleasant one. This included digital solutions which allowed for home owners to log in defects, set appointments and monitor progress, introduction of e-billings and e-notifications as well as database analysis to improve service and products.

Financial Performance

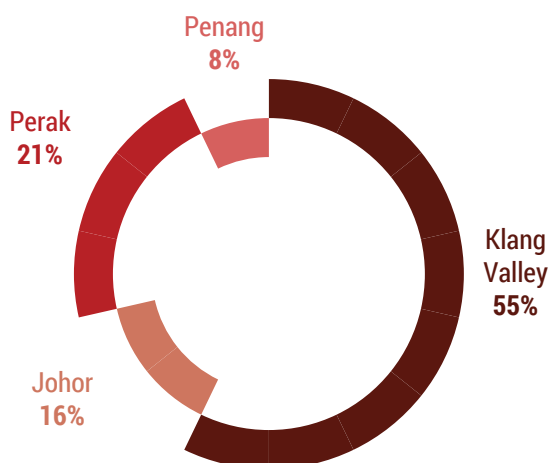
For FY2021, the Group generated lower revenue compared to the previous year, financial year 2020 ("FY2020") at RM159.6 million, which was a direct cause of the construction work stoppages during the MCO period. Improvements were observed towards the end of the year and we performed better on a quarterly basis, our 4Q FY21 performance saw revenue rising 35% to RM76.6 million as construction activities stabilized and work was able to continue at a steady pace. This increase in revenue was generated mainly from our key projects namely Astetica Residence in Seri Kembangan, Selangor and Sakura phases at Bandar U, Perak.

FY2021 Revenue Contribution by Region

Contributions from key projects accounted for approximately 62% of total group revenue. Within the key regions, Klang Valley accounted for 55% of group revenue, Perak 21%, whilst Johor and Penang contributed 16% and 8% respectively.

Our cash flow was mainly boosted by completed projects for the year under review including Astetica Residence in Seri Kembangan, Selangor and Phase 1B of Freesia of Bandar U, Perak. From these two projects, Astetica Residence contributed RM278 million in Gross Development Value ("GDV") while Freesia BUSI contributed RM18 million in GDV.

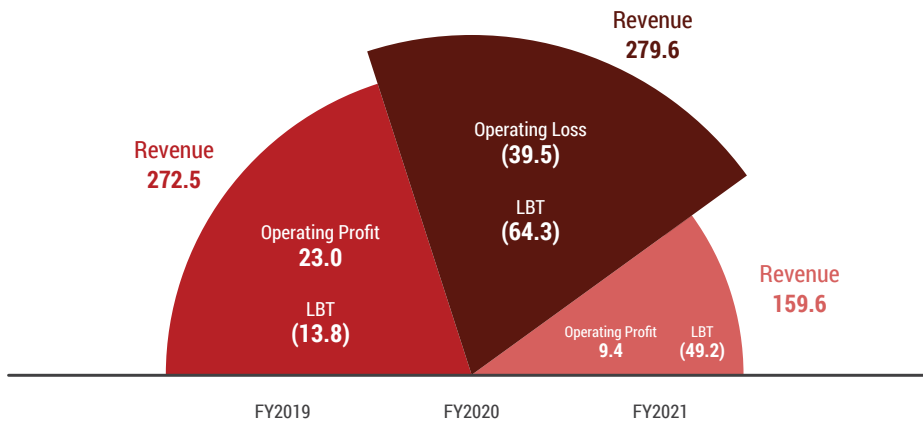
Although we managed to record a positive revenue and gross profit, due to the many challenges inflicted by Covid-19, a loss before tax ("LBT") of RM49.2 million and a loss after tax of RM52.5 million was reported in FY2021. The decline in earnings was due to the recognition of the share of loss of RM46.7 million from our associate, Magna Prima Berhad as at end-March of FY21, compared to share of loss of RM10.2 million in the corresponding period of last year.



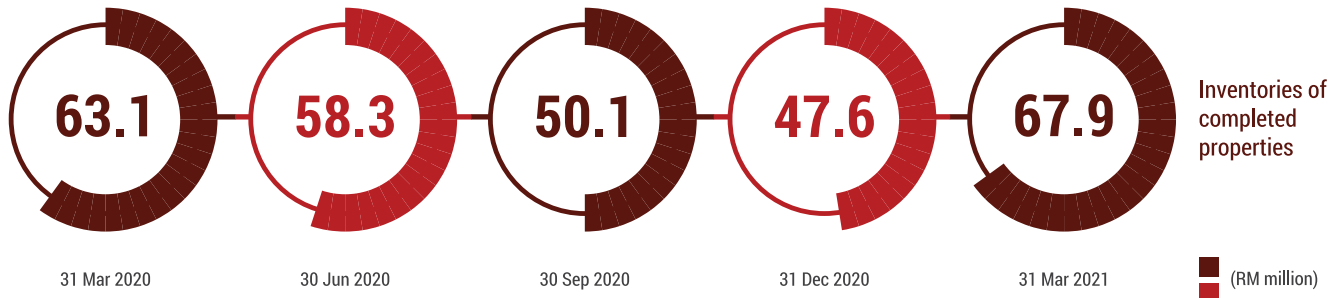
Management Discussion and Analysis Report (cont'd)

Group Performance

Group Revenue & Operating Profit Performance



FY2021 Inventories in Completed Properties



Total inventory increased during the fourth quarter of FY2021 due to the completion of the Astetica Residence.

FY2021 COMPLETED PROJECTS

Astetica Residence	
TOTAL	594 units
SOLD	523 units
GDV	RM278.3 mil

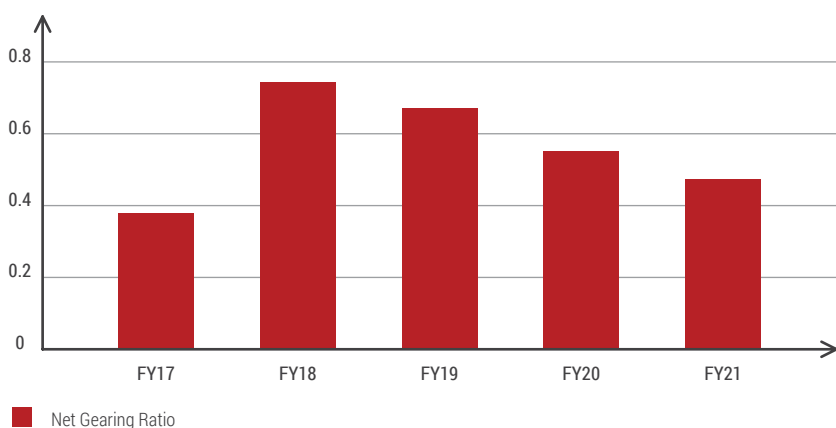
Freesia 1B, Bandar U	
TOTAL	86 units
SOLD	100%
GDV	RM18.3 mil

Management Discussion and Analysis Report (cont'd)

Total assets as at end FY2021 amounted to RM972.7 million, compared to RM1,069.3 million as at end FY2020. Land held for property development stood at RM587.5 million, increased from RM448.2 million last year. Inventories of completed properties amounted to RM67.9 million, increase marginally from RM63.1 million as at end of FY2020.

Total liabilities decreased 8.6% to RM510.3 million from RM558.4 million at the end of FY2020. Total borrowings declined by 8.5% to RM292.3 million from RM319.5 million. Notably, short term borrowings declined significantly by 55.3% to RM68.4 million.

In line with the reduction in borrowings, net gearing decreased to 0.48 times against total equity of RM462.4 million. Net gearing is expected to reduce further via positive cash generation from projects to be completed this financial year and sale of inventories. The Group's net assets per share attributable to owners of the Company amounted to RM1.25 per share.



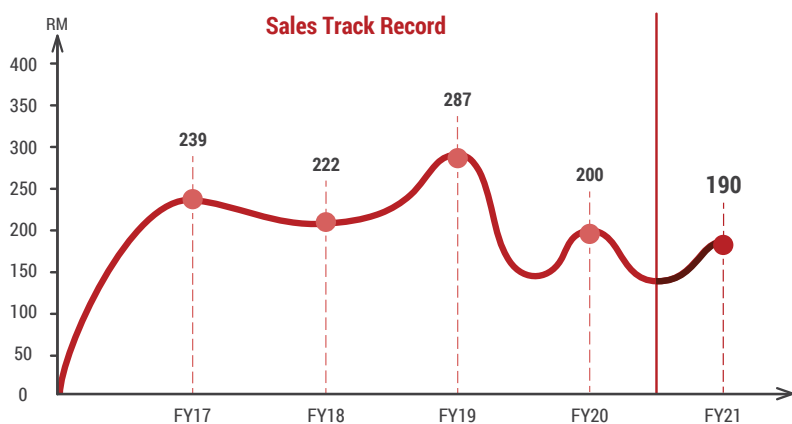
Dividends

Taking into account the numerous challenges currently facing the economy combined with underlying business fundamentals, the Board has not recommended any dividend payments for FY2021. Looking ahead, over the long term, Hua Yang possesses a strong development platform and a solid development landbank portfolio in key urban hotspots - allowing us to remain optimistic that we will be able to return to a steady growth and dividend trend when market conditions improve in the future.

Property Development

We are happy to report that the Group attained new sales of RM189.7 million in FY2021. This figure was mainly driven by sales from ongoing and completed projects and anchored by sustained sales from Bandar U, Aston Acacia and Astetica Residence. Sales derived from these key projects made up approximately 81% of total sales for FY2021.

Historical Trend in New Sales

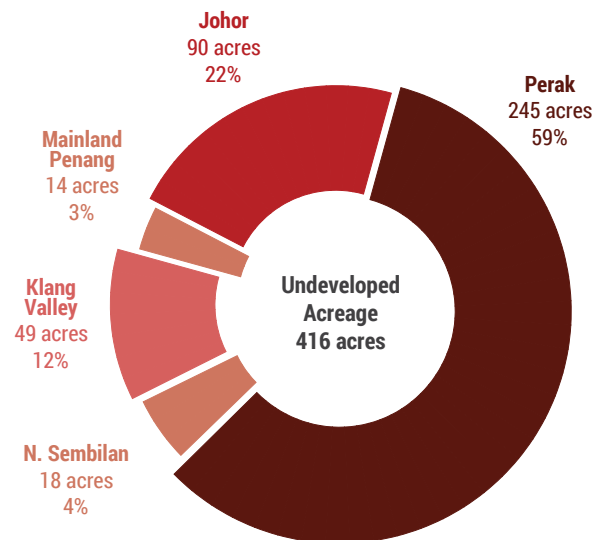


For the FY2021, unbilled sales amounted to RM132 million which is slightly higher than the figure of RM118 million at FY2020. We expect unbilled sales to be replenished with continuing sales of ongoing projects and potential new launches in FY2022.

Management Discussion and Analysis Report (cont'd)

Landbanking

We have a solid portfolio of available landbank amounting to 416 acres in key regions with a potential GDV of RM5.0 billion. The Group is looking to accelerate development activities when the market is more conducive and we intend to expand our portfolio through seeking out potential landbanking opportunities in order to sustain longer term growth. We believe that long term demand for mid-market affordable segment remains naturally healthy, underpinned by a growing young population and urban migration.



Strategic Investment in Magna Prima Berhad ("MPB")

Hua Yang's 30.95% associate company, MPB achieved revenue of RM18.7 million and a net loss attributable to owners of the Company of RM150.9 million in FY2020, compared to a net loss of RM32.9 million in financial year 2019. The impairment loss on assets held for sale for RM89.57 million, additional provision of tax as a result from Inland Revenue Board tax audits for RM11.6 million and unrealised foreign exchange loss of RM13.2 million. There was definitely a slower take up and lack of development activities over this period of time and MPB is looking to improve its liquidity position in the near term. As it stands, MPB still possesses a portfolio of 14.83 acres prime landbank within the Klang Valley and a net asset value of RM346.7 million as at 31 December 2020, or Net Asset Value per share of RM0.72.

Property Development Projects

Hua Yang remains committed to delivering a unique brand of quality mid-market homes in key strategic urban hotspots across Malaysia. The Group advocates modern yet practical concepts and designs that are tailor made to appeal to the next generation of home buyers. The following highlights several of Hua Yang's key development projects.

Management Discussion and Analysis Report (cont'd)



KLANG VALLEY

ASTETICA RESIDENCES, Selangor

Total Estimated GDV : RM278 million
Land size : 3.7 acres

Status : Completed
Sales of completed phase : 90% (as at 31 March 2021)

Launched in early 2017, ASTETICA RESIDENCES, a mixed residential development, offers 520 exquisite serviced apartments with 26 retail lots and 48 studio offices, with a total GDV of RM278 million. The two stylish-designed residential towers, 34 storeys and 35 storeys in height, are strategically located at the heart of matured township of Seri Kembangan, Selangor.

The design of the serviced apartments is meant to be exclusive semi-Ds and bungalows in the sky, with low density of ten units per floor served by four lifts and each unit being a corner unit. A broad selection of layouts and built-up sizes are made available for large families, newly-weds as well as young adults. One of the highlights of the project is its comprehensive family-oriented facilities covering approximately 16,000 sq ft (square feet) that is linked with a sky bridge on the 26th floor (double volume) of the tower blocks.

ASTETICA RESIDENCES is within proximity to various well-established amenities such as The Mines Shopping Centre, The Mines 2 Shopping Mall, AEON Cheras Selatan, Columbia Asia Medical Centre, Australia International School, Bukit Jalil Stadium, Palace of The Golden Horses and many more. The project is also very well connected to various highways such as the SILK and Besraya Highways and others major routes.

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 : 36% (as at 31 March 2021)

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 1993.

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 Senai-Desaru Expressway and East Coast 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 spaces 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 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, Perak

Total Estimated GDV : RM1,447 million
Land size : 777 acres

Status : Ongoing
Sales of ongoing phases : 77% (as at 31 March 2021)

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 RM1.45 billion township is nestled among a variety of amenities, which includes Tesco Superstore, a KFC drive-thru restaurant, police station, wet market, schools, banks, bus station terminals and many more. The township also has a good selection of 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.

Management Discussion and Analysis Report (cont'd)



We have completed and handed over the Freesia phase 2 of the project in May 2020, with GDV of RM18.3 million; which was fully sold as at end-Sep 2020. Other ongoing phases include:

- Erica phase 2, with GDV of RM18.9m, 90% sold as at end-Mar 2021
- Sakura phase 1, with GDV of RM14.6m, 97% sold as at end-Mar 2021
- Sakura phase 2, with GDV of RM15.0m, fully sold as at end-Mar 2021
- Sakura phase 4, with GDV of RM19.1m, 60% sold as at end-Mar 2021
- Sakura phase 3, with GDV of RM15.5m, 80% sold as at end-Mar 2021
- Sakura phase 5, with GDV of RM15.7m, 35% sold as at end-Mar 2021

Bandar U has launched close to RM841 million worth of properties since its first year of launch back in 2001. With most of its previous phases launched, completed and fully sold, ERICA phase 2 and SAKURA phase 1 to phase 5, are the six ongoing residential phases comprising double- and single-storey terrace houses. These ongoing phases - designed for practical and comfortable living are well-received and have thus far achieved overall sales of 77% as at end-March 2021. Looking ahead, in financial year ending 31 March 2022 ("FY2022"), the Group is looking to introduce new phases in CENTAUREA and PLUMERIA, comprising one and half- and single-storey terrace houses with total estimated GDV of RM59 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 : 42% (as at 31 March 2021)

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 designated 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 breath-taking Cherok Tokun Nature Park, St. Anne's Church, Lotus's (Tesco), Aeon Mall, Auto City and other amenities such as eateries, banking and health facility.

The 2 towers of 33-storey serviced apartments are built on a freehold land, comprises 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, has achieved an 42% 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 the end of the year.

Management Discussion and Analysis Report (cont'd)

Anticipated Risks

Our industry is definitely a competitive one and like other businesses, we do face competition from other market players. In order to set ourselves apart, we stand committed to our core values and delivering our brand presence in the affordable mid-market homes segment. We take pride in understanding our customers' needs through extensive market research and incorporate the most valued features in our developments. We also offer competitively priced products and ensure that all our developments are of excellent quality and in compliance to CIDB standards.

The previous year saw many setbacks in the industry as a whole, with multiple MCOs causing construction delays which widely affected our financial performance, our product launches and our buyers' perception. To mitigate this, we maintain stringent processes for efficient planning and monitoring of all construction progress on our ongoing development projects. We remain confident that our strong track record and decades of experience in the property market will provide our stakeholders with a sense of assurance.

We continue to adopt a prudent financial policy in order to maintain a healthy balance sheet with manageable gearing and cash flows. Our risk management approach includes identifying and analysing potential risks, improvement of construction project management processes as well as effective use of resources. Further details of our risk management can be found in the Statement on Risk Management and Internal Control of the Annual Report.

Prospects and Outlook

As with the previous year, we anticipate that FY2022 prospects will be challenging, affected by the current depressed economy as a result of the COVID-19 pandemic and the implementation of MCO. Some analysts have taken a conservative stance; cautioning that the bigger picture remains the prevailing overhang in the property sector, and that a recovery play may follow when the supply is more sustainable. On the positive side, others point to the fact that property stocks have been trending at historical lows which suggest the sector is poised for a rebound as a recovery play, owing to their cheap valuations. In addition, developers of affordable housing have been generating encouraging sales as of late. Additional positive impacts on the property sector could come from:

- easing of the MCO and opening up of economic activities,
- sector stimulus including reintroduction of HOC, Real Property Gains Tax exemption and lifting of financing limit for third housing loan
- Low interest rates environment

Hua Yang's near-term strategy during this time will be to focus on driving sales of both completed and ongoing properties. We intend to utilise our digital presence to continue driving these sales. Furthermore, we will be replenishing unbilled sales with our FY2022 new launches while also placing a high priority on improving our cash flows and balance sheet.

FY2022 Planned Launches

Aston Acacia, Bkt Mertajam – Ph 2	311 units	RM129.5M
Centaurea Ph 1 & 3 and Plumeria Ph 5 & 6, Bandar U	328 units	RM 59.0M
Kajang – RSKU	250 units	RM57.5M
Elemence Ph 2	52 units	RM 21.6M

Sustainability Statement



Sustainability Statement (cont'd)



Hua Yang’s approach to sustainability is to create long-term value for all our stakeholders through the optimisation of business strategies encompassing economic, environmental and social aspects. We are guided by strong, ethical standards that carefully balance the needs of our shareholders with that of the community and the local environment. As a leader in the affordable housing industry, we strive to set an example and ensure that sustainability is practised throughout the Group, by adopting the following four (4) pillars of sustainability:

FOUR PILLARS OF OUR SUSTAINABILITY JOURNEY



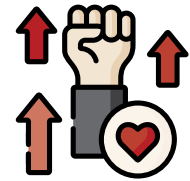
Deliver affordable and dependable quality service and products



Build a sustainable environment through innovation



Promoting engagement and investing in the local community

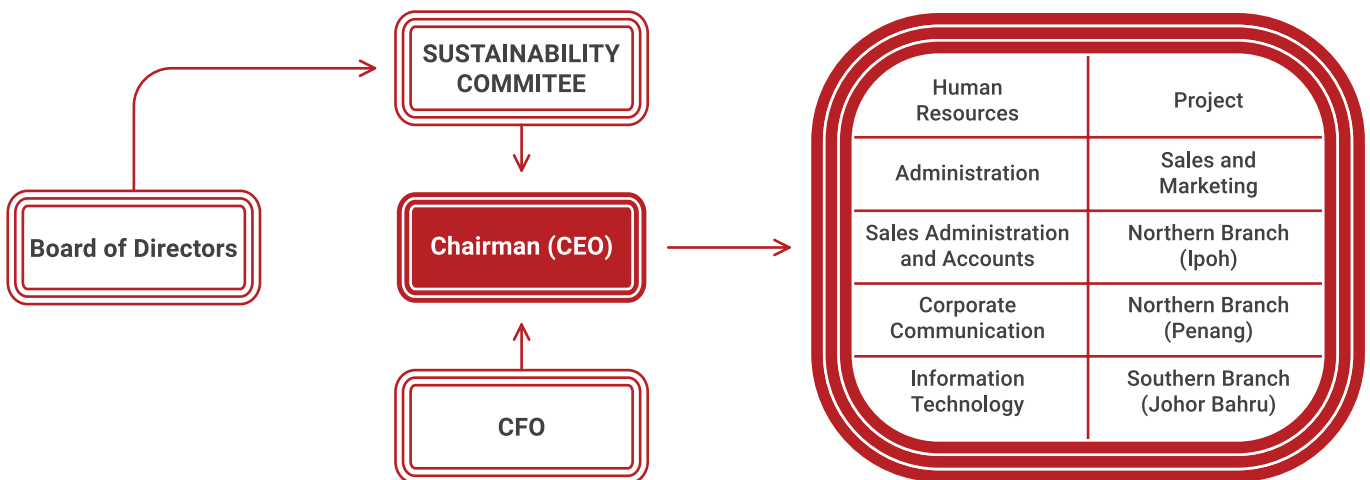


Enhancing values by motivating our workers and ensure reliable and efficient supply chain management

Our strategies are aligned with the Economic, Environment and Social (EES) risks that we face and provide a solid foundation for our business operations and future initiatives as we move towards sustainable development.

SUSTAINABILITY COMMITTEE

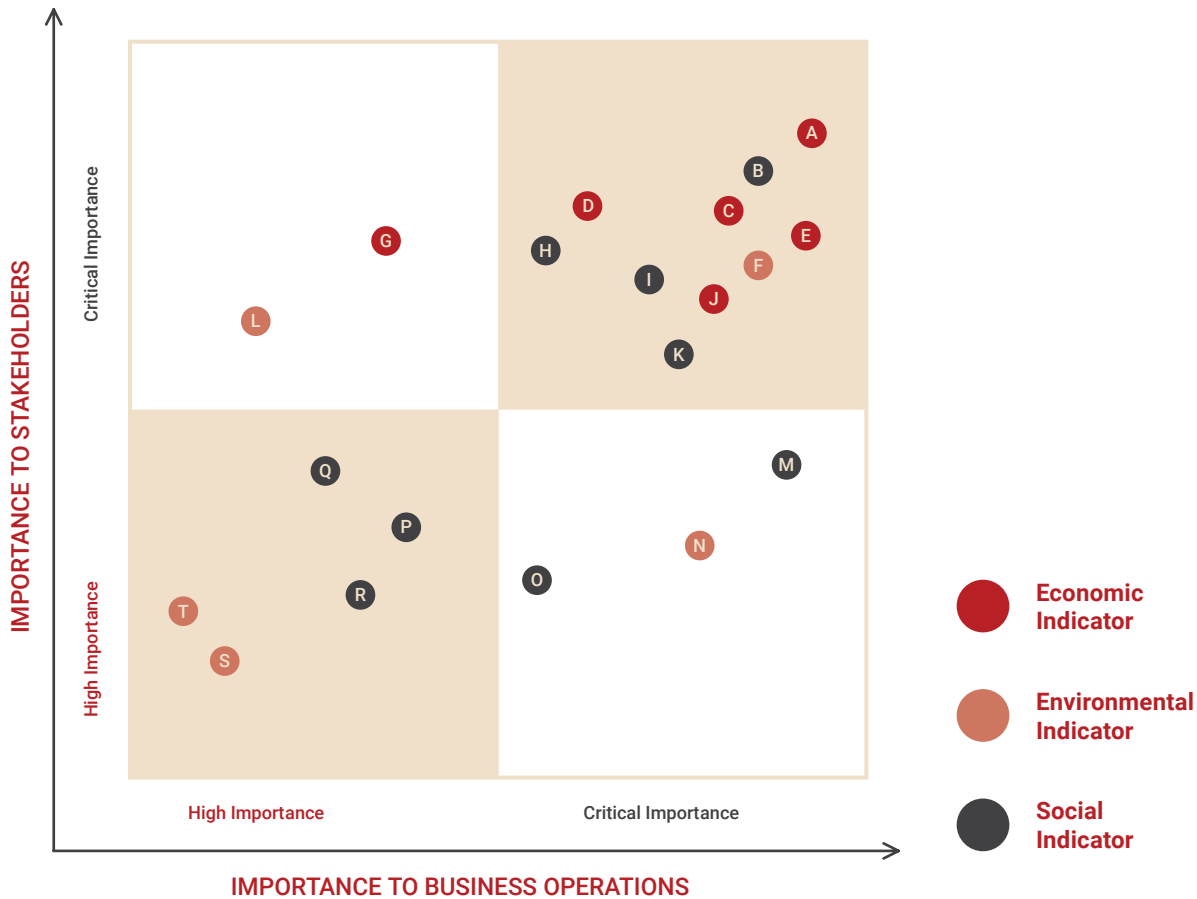
Our Sustainability Committee is primarily responsible for the Group’s sustainability strategy; providing advisory as well as supervisory roles with regards to our sustainability objectives. The Board of Directors provide oversight to the Sustainability Committee, which is chaired by the Chief Executive 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)
A Housing Affordability	Customers, Communities	Product Service and Labelling
B Occupational Safety and Health	Regulators & Government Agency, Vendors & Suppliers, Employees	Occupational Health and Safety
C Business Digitisation	Customers, Communities	GRI General Standard Disclosures
D Market Presence	Shareholders & Investors, Vendors & Suppliers	GRI General Standard Disclosures
E Economic Performance	Shareholders & Investors, Customers	GRI General Standard Disclosures
F Regulatory Compliance	Regulators & Government Agency, Shareholders & Investors, Customers	Compliance
G Supply Chain Management	Vendors & Suppliers, Customers	GRI General Standard Disclosures
H Ethics and Integrity	Regulators & Government Agency, Shareholders & Investors	GRI General Standard Disclosures
I Customer Satisfaction and Brand Reputation	Customers and Shareholders & Investors	Product Service and Labelling
J Project Management	Regulators & Government Agency	Compliance
K Corporate Governance and Transparency	Regulators & Government Agency, Shareholders & Investors	GRI General Standard Disclosures
L Energy	Regulators & Government Agency, Customers, Vendors & Suppliers	Energy
M Product Quality	Customers	Product Service and Labelling
N Waste Management	Regulators & Government Agency, Customers, Communities	Waste and Effluents
O Employee Benefits	Employees	Diversity and Equal Opportunity
P Customer Privacy	Customers	Customer Privacy
Q Employee Development and Training	Employees	Training and Education
R Contribution to Society	Communities, Media	Local Communities
S Green Buildings Compliance	Customers, Shareholders & Investors and Vendors & Suppliers	Compliance
T Water	Customers, Communities	Water



Economic Sustainability

The Group's primary objective is to achieve business sustainability; a goal we are committed to realising as we move towards contributing to a more sustainable society. We have identified a number of priority areas that will ensure long term profitability and growth for the Group.

1. EMBEDDING ETHICAL BUSINESS PRACTICES

As a responsible business, we adhere to the laws and regulations outlined by the government, and have adopted the Malaysian Code of Corporate Governance 2017 ("MCCG") to maintain our corporate accountability.

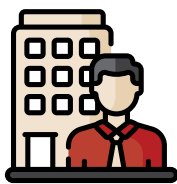
Our commitment to sustainability is integrated into our company strategy and has the support and active involvement of our senior management team. Furthermore, our Board of Directors approved the Group's Anti-Bribery and Anti-Corruption Policy as part of our commitment to maintaining high ethical standards and demonstrating responsible business practices.

We have also made our Whistleblowing Policy 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 with the intention of providing transparency along with accessibility to our stakeholders with regards to reporting business wrong doings by the Group.

2. BUSINESS DIGITALISATION

In light of the current trends towards digitalisation, the Group has taken steps to move digital transformation beyond simple IT in order to make a positive impact on our business performance and compete effectively in an ever-changing digital economy. By utilising technology to create different ways of doing business, we will be able to drive growth in new and existing markets. The pandemic has demonstrated the importance of digitalisation, particularly during the MCO and restricted movement periods, when people relied on digital technology to do everything from banking to shopping.

The pandemic and ensuing MCO required us to rethink certain aspects of our operations. Some of the ways we adapted to the 'new normal' was by:



relying more on online participation for our events / launches



introducing E-billings and E-notifications to our customers



introduction of Profix – a digital app for home owners to log in defects, set appointments and monitor progress



enhancing our digital workflow



Still, the main focus of digital transformation remains on realignment to bring in value for both customers and employees alike. Indeed, we have found that business digitisation greatly increased the speed and efficiency of our operations and we continue to work towards facilitating a paperless work environment.

On the marketing front, we have maintained a presence on social media platforms such as Facebook and YouTube to continue targeting the millennial demographic. This represents a crucial market segment for us as this group has shown sustained interest; particularly among young first-time home buyers.

3. PRODUCT QUALITY CONTROL

As a responsible property developer, it is up to us to ensure that the homes we build comply with all requirements and established standards in order to meet the expectations for future homeowners. Within the construction industry, quality control expands into quality assurance and involves monitoring all work in progress, examining the standards of current construction tasks and highlighting concerns to relevant parties.

We demonstrate this commitment to safety standards and building guidelines through our continued compliance to the CIS 7:2014 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

Developing a positive relationship with our customers is essential to our business and we strive to exceed our customer's expectations at all times. We recognise that a strong line of constant communication with our customers is vital; hence to ensure that communication is always open we encourage our customers to reach out to us via multiple channels. We are able to receive feedback and comments via email and phone but we welcome walk-ins to all our Customer Care Offices as well. Additionally, in the past year we have established our own Project Management Office for Astetica at Seri Kembangan and are pleased to report that all our Customer Care Offices at our completed projects are managed by the Group's own personnel.

We have implemented a comprehensive Customer Relationship Management (CRM) system to manage all customers' feedback, which has proven successful so far. We remain committed to building solid relationships and developing a high level of trust with our customers.



Workplace Sustainability

At Hua Yang, our people are our most valuable assets. In recognising their skills and initiative, we provide a workplace that is fair, stimulating and conducive to rewarding careers. Moreover, we highly encourage our employees to reach their full potential through our various self-development programmes. We believe that aligning our people with our corporate values is essential to creating overall stakeholder value.

We also place great importance on the health and well-being of our employees, and the pandemic has certainly highlighted the importance of this issue. As such, we have designated 24 of our employees to the Group's Emergency Response Team (ERT). Their roles and responsibilities include;



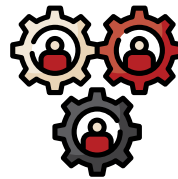
Implementing and monitoring measures to ensure workplace safety



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



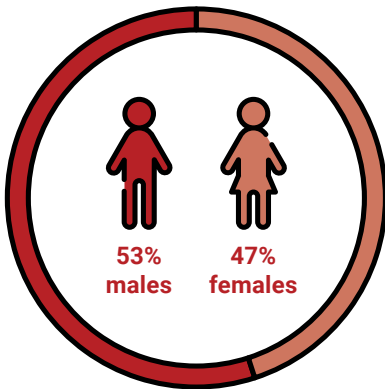
Covid workplace SOP
Temperature scanning, MySejahtera login, wearing facial masks at all times, hand sanitizer provision at entrance, no handshake policy, no visitors' policy, no physical meetings, no interstate / interbranch travelling

Notably, during the pandemic our ERT staff had additional responsibilities including to ensure that all employees complied to the workplace SOP such as temperature scanning, MySejahtera login, wearing facial masks at all times, hand sanitizer provision at entrance, no handshake policy, no visitors' policy, no physical meetings as well as no interstate/interbranch travelling.

DIVERSITY AND INCLUSION

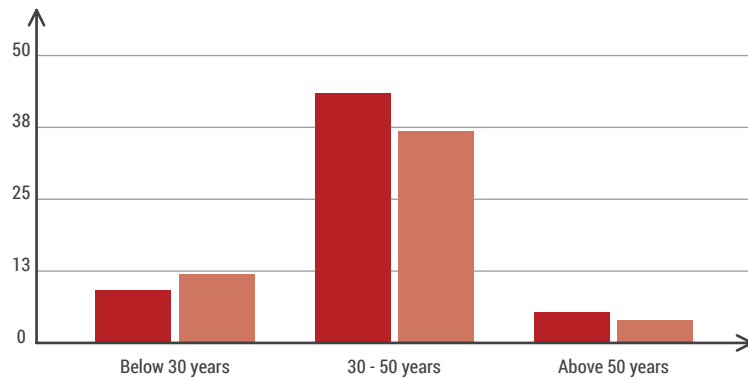
Employees remain our biggest assets and we believe a diverse workforce enhances our perspective and encourages integrated thinking. At present, our overall employee distribution consists of 47% females and 53% males. As we seek to provide an equal opportunity workplace, all employees regardless of gender are given fair opportunity to hold managerial positions based on merits, capabilities and qualifications. We find that employees benefit most from clearly defined performance objectives and we encourage our staff to challenge themselves, providing them opportunities to evolve from their position.

As a company with a workforce consisting mainly of those aged 30 and older, we believe that in merging the different strengths and perspectives of both younger and older employees, we gain the benefits of thought diversity.



Employee Gender Distribution

53% males
47% females



Age Range

■ males
■ females

EMPLOYEE DEVELOPMENT AND TALENT MANAGEMENT

Our world is ever-changing world, and at a business level this means that professional development must be constantly pursued and prioritised. At Hua Yang, we recognise that talent development is fundamental to sustainable business growth and success. As employees make up our largest group of stakeholders, we want to empower our people and increase employee engagement, allowing them a sense of value within the company. To further drive the growth of the Group forward, we support our employees' continuous improvement and personal development; providing 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 FY2021, given the nature of how we conducted business owing to the pandemic, we were unable to conduct our usual physical training sessions for our employees. Nevertheless, all employees were encouraged to attend virtual training sessions including our internal Knowledge Sharing series and IT Series. We also ensured continuous engagement with senior management on progress and challenges, support and assistance.



STAFF STRENGTH: 107



Environmental Sustainability

REDUCING ENERGY USAGE

Across the globe, sustainable property development businesses have been redefining the corporate ecosystem by designing models that create value for all stakeholders; including employees, shareholders, supply chains, society, and the planet. We are aware that the nature of our business entails our projects consuming a significant amount of energy during the construction phase; however, we have taken steps to mitigate this and are extremely mindful of the energy our projects consume. As such we have undertaken various measures intended to curb wasteful practices. These include installing energy-saving light fixtures and implementing control systems to optimise the elevators for our high-rise projects.

Additionally, for all our projects within the Central region, we have fitted the corridors with LED lightbulbs while the carpark is lighted by T5-fluorescent light tubes. Another signature feature of our buildings includes excellent ventilation and we accomplished this by providing an open corridor concept – reducing the need for air conditioning or fans. To better manage energy consumption, most of our projects are also installed with an elevator collective control system which increases the efficiency of the elevator travel time while reducing energy consumption at the same time.

We are 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. The following table highlights our efforts thus far:

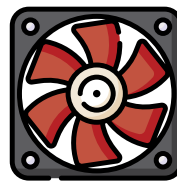
CENTRAL REGION



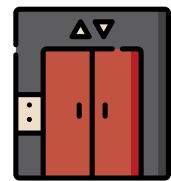
Led Lightbulbs



T5 Fluorescent Light Tubes



Ventilation & Open Corridor Concept

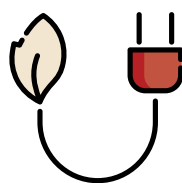


Elevator Collective Control System

ENERGY SAVING INITIATIVES



Install Energy-Saving Light Fixtures



Implement Control Systems



STATE	PROJECT	SOLUTION	LOCATION
PENANG	MERITUS & ASTON ACACIA	LED light fittings used for energy saving and electricity consumption	LED light to common area (ie. corridors & car park podium)
		Group control system for lift to optimize lift operation	All towers / apartment lifts
		Ventilation & open corridor concept	Unit Corridor
KLANG VALLEY	Astetica, Metia, Sentrico	Installed LED light fittings for energy saving and to reduce power consumption	<ol style="list-style-type: none"> 1. LED down light (corridor, facility room, common areas) 2. T8 LED tube light (car park, M&E rooms, risers) 3. LED flood light (Facility floor) 4. LED Street Light (within boundary and outside boundary)
	Astetica, Metia, One South, Sentrico	Installed group / collective control system for lift to optimise lift operation	All tower / apartment lifts
	Astetica, Metia, One South, Sentrico	Implemented control system to optimise elevators in high rise (with the exception of escalators)	All tower / apartment lifts
	Astetica	Designed double volume / high ceilings to reduce lighting fittings and power consumption particularly during day time	Facility floor Level 26
	Metia, One South, Sentrico	Ventilation & open corridor concept for better air circulation	Unit Corridor
	Astetica, Metia, One South, Sentrico	Schedule regular maintenance / service for indoor air-conditioning (filter) and outdoor air-conditioning (chemical servicing) for effective heat exchange and to reduce energy consumption	Facility floor



Environmental Sustainability

WATER MANAGEMENT

Hua Yang understands the growing strategic importance of water conservation and we are working towards reducing our water consumption via effective water efficiency planning. In doing so, we strive to achieve better water efficiency without sacrificing comfort or performance.

Part of our efforts of utilising water efficiently and reducing wastage include several water management initiatives the Group has put into place. Rain-water harvesting systems are installed 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. The table below highlights our efforts at different projects around the country.

STATE	PROJECT	SOLUTION	DESCRIPTION
PENANG	Aston Acacia	Rain water harvesting tank.	Tank at roof top supplies rain water for landscaping usage at podium and cleaning at refuse room.
KLANG VALLEY	Astetica, One South, Sentrio	Rain water harvesting tank.	Rain water collected and supplied for landscaping purposes.
JOHOR	Elemence (Taman Denai Alam)	Rain water harvesting tank at Phase 1 Parcel 1 & Parcel 2, 4 unit Link bungalow.	Rain water collected for landscaping purposes as well as to fulfil requirements by Local Authorities.





RESPONSIBLE WASTE MANAGEMENT

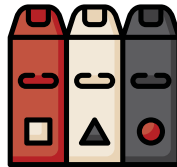
Responsible waste management is a vital part of sustainable building. The construction industry does naturally generate a large amount of waste and we want to avoid excessive construction materials going to landfills during construction by implementing a systematic waste recording system. Previously we employed independent contractors to properly dispose of our waste according to stringent guidelines and at the same time minimise pollution. In Johor, in Phase 1, Parcel 1 of our Elemence Project in Taman Denai Alam we have employed an independent contractor to maintain the rubbish collection and minimise pollution. This agreement is valid for a six (6) month period before the Local Authorities will take over waste management duties. Other phases of Elemence have undertaken exposure to recycling programmes during the construction stage including recycling scrap metal as well as centralised waste and recycling stations.

Additionally, all our construction sites undergo regular monitoring by regulatory bodies including the Department of Environment (DOE). This is to ensure that we are in compliance to the Environmental Quality Act 1974 and its subsidiary regulations such as the Environmental Quality (Scheduled Wastes) Regulations 2005. Internally, we have initiated a 'Go Paperless' campaign where we encourage all internal communications and document and report submissions to be sent via emails. We have maintained our reputation as a law-abiding organization thus far and we will strive to always be aware of our responsibilities to safeguard the environment.

MONITORED BY THE DEPARTMENT OF ENVIRONMENT



**Environmental
Quality Act 1974
Compliance**



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

Social Sustainability

As a responsible member of the community, we believe that an essential component of social sustainability means meeting of the needs of the industry, our employees, customers and the local communities in which we operate. Every development project is different and the associated communities each have a unique relationship with the project; thus we strive to create positive impacts within all the communities where we have ongoing projects.

Unfortunately, due to the pandemic and the resulting MCO's and restrictions on movement and social gatherings, for FY2021 we were unable to organise any of our usual community programmes. We are optimistic that the situation is slowly moving back to normal and are hopeful to be able to contribute more in this space for FY2022.



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 2017 (“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 2021. 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.

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 behavior.
- 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.

Corporate Governance Overview Statement (cont'd)

KEY RESPONSIBILITIES OF CHAIRMAN

Tan Sri Dato' Seri Dr. Ting Chew Peh, the Independent Non- Executive Chairman is responsible for the effectiveness 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 does 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.

Corporate Governance Overview Statement (cont'd)

KEY RESPONSIBILITIES OF CEO

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 authorization 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 2020/2021 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.

BOARD CHARTER

The Board has formalized 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 full Board Charter is available online at www.huayang.com.my.

Corporate Governance Overview Statement (cont'd)

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 emphasis 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 of 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.

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 behavior 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.

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.

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 2021, 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, scrutinize 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.

Corporate Governance Overview Statement (cont'd)

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.

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 jeopardized. 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 2021, 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.

Corporate Governance Overview Statement (cont'd)

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 37 to 47 of this Annual Report.

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 knowledgeably 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 4.4 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 47 to 78 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.

Corporate Governance Overview Statement (cont'd)

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.

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 2021 are as follows:

	Fees (RM)		Salaries (RM)	Meeting attendance allowance (RM)	Estimated money value of benefits-in-kind (RM)
	Company	Subsidiaries	Company	Company	Company
Executive Director					
Ho Wen Yan	-	-	647,660	-	7,200
Non-Executive Directors					
Tan Sri Dato' Seri Dr. Ting Chew Peh	130,792	-	-	7,000	7,200
Dato' Tan Bing Hua	100,112	-	-	7,000	-
Chew Hoe Soon	94,672	-	-	7,000	-
Chew Po Sim	75,200	-	-	7,000	-
Y.A.M. Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud	78,332	-	-	7,000	-
Ho Wen Fan	-	14,513	-	-	-
Total	479,108	14,513	647,660	35,000	14,400

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 enroll 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. Audit Committee Institute Virtual Roundtable 2020: ESG Perspective: Managing Recovery and Resilience	12 November 2020
	2. Corporate Governance Monitor 2020	20 January 2021
	3. ESG in the new normal: A Corporation's Lense Webinar	17 March 2021
	4. Power X: Building the Mindsets of Tomorrow	23 March 2021
	5. Power Talk Series 2021: Accelerated Digital Transformation of Legacy Companies	25 March 2021
	6. Power Talk Series 2021: A Boardroom Simulation Live! Corporate Strategy Beyond The Crisis	26 March 2021
Ho Wen Yan	1. Monthly Vistage – CEO Group	-
	2. Corporate Governance Monitor 2020	20 January 2021
Dato' Tan Bing Hua	1. Corporate Governance Monitor 2020	20 January 2021
	2. ESG in the new normal: A Corporation's Lense Webinar	17 March 2021
Chew Hoe Soon	1. Fraud Risk Management Workshop	25 November 2020
	2. Corporate Governance Monitor 2020	20 January 2021
Chew Po Sim	1. Corporate Governance Monitor 2020	20 January 2021
Y.A.M Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud	1. Corporate Governance Monitor 2020	20 January 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 59 to 61 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 62 to 63 of this annual report.

iii Remuneration Committee

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

- i. 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
- ii. 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 65 to 67 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 59 to 61 of this annual report.

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 74 to 145 of this annual report.

Corporate Governance Overview Statement (cont'd)

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 financial year under review the Company has applied most of the Principles and Recommendations of the Code.

The Board, will moving forward, continues 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.

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 and other information via the Company's website at 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, Fax: 603-6188 4487 and Email: 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.

Corporate Governance Overview Statement (cont'd)

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 29 September 2021 will be conducted fully virtual, 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 recognises 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 six (6) 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:-

Chairman	Dato' Tan Bing Hua (Senior Independent Non-Executive Director)
Members	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 area 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

Six (6) meetings were held during the financial year ended 31 March 2021 and the attendance of the Audit Committee is as follows:

No.	Name of Committee	Attendance
1	Dato' Tan Bing Hua	6/6
2	Tan Sri Dato' Seri Dr. Ting Chew Peh	6/6
3	Chew Hoe Soon	6/6

The External Auditors were invited to present their report on the examination of the financial statements. The Audit Committee met with the External Auditors twice during the year without the presence of the Executive Board member and executives of the Company. 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 2021:

- 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.
- Reviewed the results of the external audit with the external auditors.
- Reviewed the performance of the external auditors.
- Reviewed the appointment of the new internal audit service provider.
- Reviewed and approved the internal audit plan and internal audit reports and considered the major findings of internal audit review and management's response.
- Reviewed and approved the enterprise risk management plan and risk assessment audit report.
- Reviewed the Statement on Risk Management and Internal Control and the Audit Committee Report for inclusion into the Annual Report.
- Reviewed the re-appointment of external auditors and the proposed audit fees prior to recommending the same to the Board for approval.



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.

Nomination Committee Report



COMPOSITION

The Company has established a Nomination Committee comprising:-

Chairman Tan Sri Dato' Seri Dr. Ting Chew Peh (Independent Non-Executive Director)

Member 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 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 three times during the financial year ended 31 March 2021.



HIGHLIGHTS OF ACTIVITIES

During the financial year ended 31 March 2021, 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 and reappointment 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;
- e. Reviewed 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;
- f. Reviewed the performance of the members of the Management Committee; and
- g. Assessed the training needs of each Directors.

The Nomination Committee upon its annual assessment carried out for financial year 2021, 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;
- g. The training attended by the Directors during the financial year ended 31 March 2021 were relevant and would serve to enhance their effectiveness in the Board; and
- h. The performance of the individual members in the Management Committee were competent and the Management Committee has discharged their stewardship duties and responsibilities towards the Company.

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 2021 as set out below:

	Group (RM'000)	Company (RM'000)
Statutory Audit	279	90
Other Services	58	15
Total	337	105

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 2021

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 2021.

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 yearly 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 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 Key Risk Profile (“KRP”) 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 KRPs. 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 were regarded by the Group to be higher than tolerable levels, action plans and risk responses were 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 2021

INTERNAL CONTROL MECHANISM

The internal audit function is outsourced to a professional services firm. During the financial year ended 31 March 2021, the outsourced internal audit service provider carried out audits in accordance with the internal audit plan approved by the Audit Committee and other areas 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 2021

MATERIAL ASSOCIATE

Disclosures in this statement do not include the risk management and internal control systems and practices of the Company's associate company. The Company's interest in the associate is represented and safeguarded through the appointment of HYB Group's Chief Executive Officer to the Board of Directors.

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 2021 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 on 25 August 2021.