

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5062  
**COMPANY NAME** : HUA YANG BERHAD  
**FINANCIAL YEAR** : March 31, 2019

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("the Board") of Hua Yang Berhad ("the Company") is committed in maintaining the highest standards of corporate governance within the Company and adhering to principles and best practices through observing and practicing the values of the Malaysian Code on Corporate Governance. The commitment from the top paves the way for the Management and all employees to ensure the Company's businesses and affairs are efficiently managed in the best interest of all stakeholders. The Board delegates certain responsibilities to the Board Committees, all of which operate within defined terms of reference to assist the Board in the execution of its duties and responsibilities.</p> <p>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.</p> <p>The role of the Board as stated in the Board Charter is to provide strategic guidance to the Company and effective oversight of its Management, for the benefits of Shareholders and other stakeholders. The Board sets the strategic direction, ensuring that necessary resources are in place for the Company to meet its objectives and deliver sustainable performance.</p> <p>The Board takes full responsibility for the oversight and overall performance of the Company and provides leadership, championing good governance and ethical practices throughout the Company. The Board carries out its role within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed, The Board owes the fiduciary duties to the Company and, while discharging its duties and responsibilities, shall individually and collectively exercise reasonable care, skill and diligence at all times.</p>

	<p>The Board adopts strategic and business plans aligned to ensure obligations to all stakeholders are met. The Board fulfils its oversight responsibility for financial and operational results, legal-ethical compliance and risk management. The Board is also responsible for reviewing the adequacy and integrity of the Company’s internal control systems and management information systems and ensuring that investor relations and succession planning programme are implemented.</p> <p>The Chief Executive Officer/Executive Director is responsible for making and implementing operational decisions. He is supported by the Chief Financial Officer (“CFO”) and Management Committee that comprises Head of Departments of various functions. The Non-Executive Directors contribute to the formulation of policy and decision making through their knowledge and experience of other business sectors.</p> <p>The Independent Non-Executive Directors, play an important role in ensuring the strategies proposed by Management are fully deliberated and examined, taking into consideration the long term interest of shareholders, employees, customers and other stakeholders.</p>	
<b>Explanation for departure</b>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>		
<b>Timeframe</b>		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Independent Non-Executive Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. The role of the Chairman of the Company is governed by the Board Charter, which is available on the Company's website at: <a href="http://huayang.listedcompany.com/misc/HYB_BC.pdf">http://huayang.listedcompany.com/misc/HYB_BC.pdf</a></p> <p>The Chairman is principally responsible for the working of the Board which include: -</p> <ul style="list-style-type: none"><li>• 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 as set out in this Part 4.</li><li>• Participating in the selection of Board members and ensuring that the membership is properly balanced.</li><li>• Setting agenda for Board meetings, usually in conjunction with the Chief Executive Officer ("CEO") and Secretary. The Chairman should ensure that the agenda and all necessary background paper are given to Directors 7 days before the meeting to enable the papers to be adequately considered before the meeting.</li><li>• 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.</li><li>• 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.</li><li>• 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.</li><li>• Ensuring the Company provides an orientation and education program for new directors.</li><li>• 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.</li><li>• Initiating the establishment of Board Committees and ensuring that they achieve their objectives.</li></ul>

	<ul style="list-style-type: none"> <li>Leading the Board in establishing and monitoring good corporate governance practices in the company.</li> </ul>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Company is Tan Sri Dato' Seri Dr. Ting Chew Peh whereas the Chief Executive Officer (CEO) of the Company is Mr Ho Wen Yan.</p> <p>The roles of the Independent Non-Executive Director, Non-Independent Non-Executive Director, the Chairman and the CEO are distinct and separate to ensure there is a balance of power and authority. The role of the Chairman and the CEO/Executive Director are clearly defined in the Board Charter.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

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 practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors is supported by qualified and competent Company Secretaries.</p> <p>The Company Secretaries have attend seminars and workshops during the financial year 2018/2019 to keep abreast with the latest development in the Bursa Listing Requirements and Companies Act 2016.</p> <p>The responsibilities of the Company Secretaries during the financial year under review were:</p> <ul style="list-style-type: none"> <li>i) Manage all board and committee meeting logistics, attend and record minutes of all board and committee meetings and facilitate board communications;</li> <li>ii) Advise the Board on its roles and responsibilities;</li> <li>iii) Facilitate the orientation of new directors and assist in director training and development;</li> <li>iv) Advise the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;</li> <li>v) Manage processes pertaining to the annual shareholder meeting;</li> <li>vi) Monitor corporate governance developments and assist the board in applying governance practices to meet the board's needs and stakeholders' expectations; and</li> <li>vii) Serves as a focal point for stakeholders' communication and engagement on corporate governance issues.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.5**

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In order to facilitate the Directors' time planning, the annual meeting calendar is prepared and tabled to the Board meeting at the end of the year. The Chairman, together with the Management and the Company Secretaries, are responsible for ensuring the Directors receive adequate and timely information prior to the Board Meetings.</p> <p>The agenda and board papers are circulated to the Board members one week prior to the Board meetings 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.</p> <p>Minutes of the meetings of the Board and Board Committees would be distributed to all Directors on a timely basis for review and thereafter, for confirmation at the next Board meeting. The signed board minutes are properly kept into the minutes book by the Company Secretary.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company's Board Charter clearly identifies the respective roles and responsibilities of the Board, Chairman, CEO, Senior Independent Non-Executive Director and Non-Executive Directors. It also clearly identifies the issues and decisions reserved for the Board.</p> <p>The Board would review this charter annually to ensure that they remain consistent with the Board's objectives and responsibilities, and relevant standards of corporate governance.</p> <p>The Board Charter is available on the Company's website at <a href="http://huayang.listedcompany.com/misc/HYB_BC.pdf">http://huayang.listedcompany.com/misc/HYB_BC.pdf</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company adopted the Code of Conduct and Business Ethics ("code") on 22 May 2018 that set out certain fundamental commitments that the Company make to its various stakeholders in human resource guide books.</p> <p>The Board adopted and revised the Code to include the followings:-</p> <ul style="list-style-type: none"><li>i) Commitment in fostering an environment by treating everyone with respect, trust and dignity;</li><li>ii) Avoid conflict of interest;</li><li>iii) Avoid corruption / bribes practice;</li><li>iv) Gift and entertainment practice;</li><li>v) Donations and sponsorship practice;</li><li>vi) Exercise due care on Company's assets;</li><li>vii) Ensure accuracy and safeguard confidential informations;</li><li>viii) Avoid insider trading, securities trading and public disclosure; and</li><li>ix) Fair dealing and anti-competition.</li></ul> <p>The Code is available on the Company's website at <a href="http://huayang.listedcompany.com/misc/HYB_Code_Conduct.pdf">http://huayang.listedcompany.com/misc/HYB_Code_Conduct.pdf</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>On 22 May 2018, the Board adopted the Whistleblowing Policy and Procedures. This will provide an avenue for the staff to raise concerns related to possible improprieties in matters of compliance and other malpractices in an appropriate manner and without fear of retaliation.</p> <p>The Whistleblowing Policy and Procedures seek to enhance corporate governance by helping to foster an environment where integrity and ethical behaviour is maintained and any illegality, improper conduct and / or wrongdoings in the Group may be exposed.</p> <p>The Whistleblowing Policy and Procedures is available on the Company's website at <a href="http://huayang.listedcompany.com/misc/HYB_Whistleblowing.pdf">http://huayang.listedcompany.com/misc/HYB_Whistleblowing.pdf</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board comprises 3 Independent Directors out of the 7 Directors which represent 43% of the Board composition. The current ratio of Executive Director to Non-Executive Directors is 1:6 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. In the past few years, they consistently strive to attend all the Board meetings to advice and contribute their knowledge and experience. This is to ensure the Board discussions takes into account the different viewpoints.	
		In line with the Malaysian Code on Corporate Governance 2017, the Board shall endeavour to increase the number of Independent Directors to half the Board within the next three years.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Tan Sri Dato' Seri Dr. Ting Chew Peh and Dato' Tan Bing Hua would have served the Board as Independent Non-Executive Director and Senior Independent Non-Executive Director of the Company for more than 12 years.</p> <p>The Nomination Committee and the Board will do an annual assessment of the qualification of Directors who has served on the Board for a cumulative term of more than nine (9) years.</p> <p>The Nomination Committee undertook the independence assessment taking into account the Independent Directors' self-declaration on their compliance with the independence criteria under the Main Market Listing Requirement ("MMLR") and the ability of the Independent Director to continue bringing independent and objective judgement to the Board deliberations. Thereafter, the Board will do an annual assessment of the qualification of Directors who has served on the Board for a cumulative term of more than nine (9) years.</p> <p>The Board views that the Independent Non-Executive Directors of the Company have the vast experience in a diverse range of business to provide constructive opinion and exercise independent judgement.</p> <p>Overall, the Board believes that the above Directors possess the right balance of experience, expertise, skills and competencies to contribute strong independent judgment and check and balance to the Board with their unbiased and independent views to foster greater objectivity in the boardroom. They exercised due care during their tenure and have carried out their professional duties in the best interests of the Company and its shareholders. They hold a solid understanding of the</p>

	Company's business operations which facilitates their effective deliberations at Board meetings.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	



**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.4**

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Nomination Committee, which has the primary responsibility to assess the suitability of candidates for nomination to the Board, Senior Independent Non-Executive Director, Chief Executive Officer, members of Management Committees and to recommend such appointments and evaluation of the performance of Directors.</p> <p>The Committee is also responsible for annual assessment of the skills mix and experience possessed by Board members to ensure effectiveness of the Board, the other committees of the Board and the contribution of individual directors.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.5**

The board discloses in its annual report the company’s policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company does not have a policy on diversity of gender, ethnicity and age but the Board recognises the value it can bring and has two lady members (representing 28.5% of the total Board members) on the Board and the age of the Directors range from 45 to 76. This creates an environment where each generation brings different skills, experience and talents to the Board.	
		The Board will always evaluate and match the criteria of the candidate to the Board based on individual merits, experience, skill, competency and knowledge.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the financial year ended 31 March 2019, the Company had appointed Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud as Independent Non-Executive Director. Her candidacy was on the recommendation of another Independent Director.</p> <p>The Company also received another profile of a female board candidate who had independently offered herself for candidature. The Board considered the skill and experience of this candidate vis-à-vis the current mix of skill of the Board and boardroom diversities and decided that with the recent appointment of Tengku Dato' Rahimah, there was no urgency to increase the number of female directors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination Committee is chaired by Tan Sri Dato' Seri Dr. Ting Chew Peh who is an Independent Non-Executive Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board evaluation conducted comprised of Directors' Evaluation Form, Board Skills Matrix Form and Independent Directors Self-Assessment checklist. The assessment criteria include contributions to interaction, roles and duties, knowledge and integrity, governance and risk management whilst the criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Group, tenure of independence and his involvement in any significant transaction with the Group.</p> <p>The Board Committees are evaluated based on assessment criteria which include the size, composition, mix of skills, effective recommendation and contribution of each individual Director.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The objective of the Company's Remuneration Committee is to establish its policies and procedure, annually review and recommending the remuneration packages for each individual Executive Director, Non-Executive Director, Senior Managements and staffs and implement policies and procedures which enable the Company to attract, retain and motivate the Executive Directors and Senior Managements and staffs needed to align with the business strategy and long term objectives of the Company.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board has established a Remuneration Committee to review and recommend matters relating to the remuneration of the Board.  The Remuneration Committee's Terms of Reference is available on the Company's website at <a href="http://huayang.listedcompany.com/misc/HYB_RC_TOR.pdf">http://huayang.listedcompany.com/misc/HYB_RC_TOR.pdf</a>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.1**

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on named basis for the remuneration of individual directors are disclosed in the Company's Annual Report. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company has chosen not to disclose the remuneration of the individual senior management staff on named basis but has disclosed the aggregate remuneration of senior management in the financial statement on page 117 to 118.	
		The Company believes that this information is private & confidential and may also pose security risks.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Audit Committee (AC) is distinct from the Chairman of the Board.</p> <p>The Chairman of the Company is Tan Sri Dato' Seri Dr. Ting Chew Peh, an Independent Non-Executive Director.</p> <p>The AC Chairman is Dato' Tan Bing Hua, Senior Independent Non-Executive Director.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The policy on observation of a cooling-off period of at least 2 years for a former key audit partner prior to the appointment as a member of the Audit Committee was incorporated in the Terms of Reference of Audit Committee on 24 January 2018.</p> <p>The Terms of Reference of Audit Committee is available on the Company's website at <a href="http://huayang.listedcompany.com/misc/HYB_AC_TOR_new.pdf">http://huayang.listedcompany.com/misc/HYB_AC_TOR_new.pdf</a></p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.  The assessment is carried out annually.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All members of the Audit Committee are financially literate and are able to understand matters under the purview of the Audit Committee including financial reporting process to effectively discharge their duties.</p> <p>The AC also received assurance from the CEO and CFO that :</p> <ol style="list-style-type: none"><li>1) the risk management practices and policies currently in place to identify and manage the main business risks arising from these activities remain relevant and prudent, and that these practices and policies effectively support the Company's broader enterprise risk management efforts;</li><li>2) the adequacy and integrity of the Company's internal control systems and management practices applied, in relation to the management of the main business risks of the Company and its subsidiary companies, have been upheld; and</li><li>3) the Company has an effective, corporate-wide, enterprise risk management structure and process in place.</li></ol> <p>All AC members are aware of the need to continuously develop and increase their knowledge in the area of accounting and auditing standards, given the changes and development in this area from time to time. During the financial year, the training attended by the Audit Committee members were as follows:-</p> <ol style="list-style-type: none"><li>1) How To Develop Business Models For Integrated Reporting; and</li><li>2) Breakfast Series: Companies of the Future – The Role for Boards.</li></ol>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.1**

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The risk management and internal control framework have been approved by the Board.</p> <p>A structured process has been established to identify and assess risks arising from the Group’s operations, as well as the effectiveness of the control measures and internal control practices.</p> <p>The Executive Director together with the Chief Financial Officer are responsible for managing risks in accordance to regulatory guidelines and internal policies approved by the Board.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The features of the Company's risk management and internal control framework, and the adequacy and effectiveness of this framework is set out in the Statement of Risk Management and Internal Control as disclosed in the Company's Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

**Intended Outcome**

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 10.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group has outsourced the Internal Audit function to an external consultant that reports directly to the Audit Committee. The outsourced consultant undertake independently, objectively, regularly and systematic review of the risk management, internal control and corporate governance system of the Group.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has outsourced its internal audit function to Baker Tilly Monteiro Heng Governance Sdn Bhd (“Baker Tilly”), headed and led by Mr Kuan Yew Choong, who is graduated with Association of Chartered Certified Accountants (UK), a professional member of the Institute of Internal Auditors, Malaysia and a Chartered Accountant (Malaysian Institute of Accountants).</p> <p>There were total of three (3) internal auditors, including the Head of the internal audit function, which were deployed by Baker Tilly for the internal audit works performed for the Group during the financial year ending 2018. All the personnel deployed by Baker Tilly are free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of the work.</p> <p>The internal audit work was carried out based on Baker Tilly Internal Audit Methodology, which is closely consistent with the International Professional Practices Framework (IPFF) of the Institute of Internal Auditors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises and values the importance of informing shareholders of all major developments of the Group on a timely basis.</p> <p>The financial performance of the Group, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly performance, annual report and corporate announcements to Bursa Malaysia Securities Berhad. During General Meetings, shareholders are encouraged to participate to enquire and comment on the Company's performance and operations and voting on the resolutions were done by way of poll.</p> <p>Investor relations activities such as meetings with fund managers &amp; analyst and interview with the media are attended by Chief Executive Officer and Chief Financial Officer.</p> <p>The Company also has a website at <a href="http://www.huayang.com.my">www.huayang.com.my</a>, as an avenue for dissemination of information to public which provides up-to-date information on the Group's key cooperate initiatives, new products and service launches.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is presently not classified as a Large company.	
		The Company will adopt integrated reporting based on a globally recognised framework when required by the regulators.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The notice of the previous Annual General Meeting (“AGM”) in 2018 was send to shareholders on 30 July 2018, at least twenty-eight (28) days before the date of AGM held on 29 August 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All the directors attended the 39<sup>th</sup> AGM of the Company held on 29 August 2018.</p> <p>The Board including the Chairman of the Board and Chairman of each Board Committee attended the previous AGM to engage with shareholders. All issues and questions raised by shareholders during the AGM were clarified and explained.</p> <p>The Senior Management, Company Secretaries and external auditors were also in attendance to respond to the shareholders' queries.</p> <p>All resolutions set out in the Notice of the 39<sup>th</sup> AGM held on 29 August 2018 were put to vote by poll and were duly passed. The outcome of the AGM was announced to Bursa Securities on the same day.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Board views that the additional cost involved in having additional meeting venues for shareholders to participate through electronic means would not benefit the Company as an operating entity, considering that the Group incurred a loss in financial year ended 31 March 2019.
	:	The Board will only consider the additional meeting venues or electronic meeting when the cost of such participation becomes affordable to the Company.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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