

SUSTAINABILITY STATEMENT



SUSTAINABILITY STATEMENT

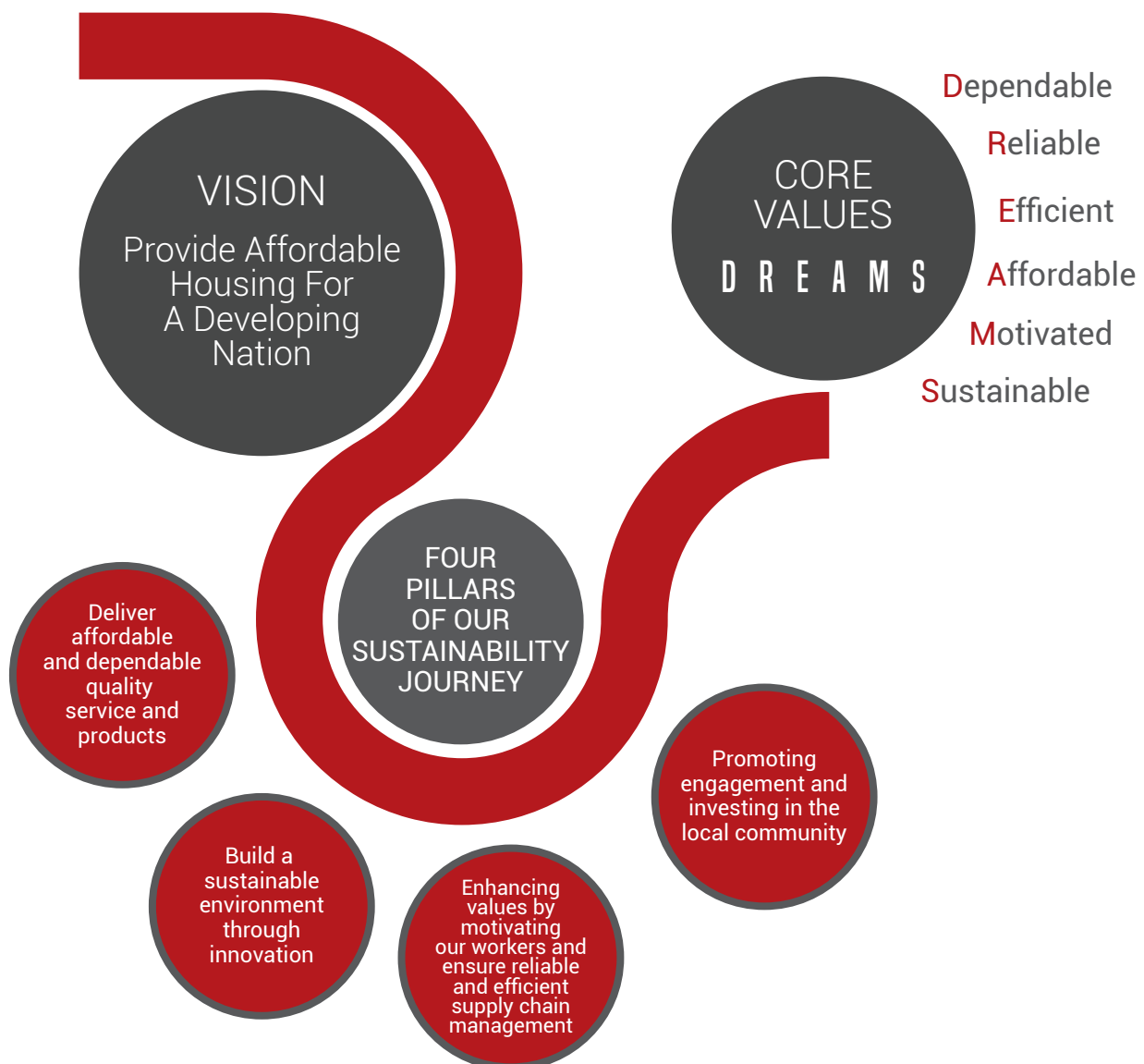
Hua Yang Berhad ("Hua Yang" or the "Group") aims to fulfil its vision of becoming the leading developer of quality and affordable homes, making the dream of home ownership a reality for all Malaysians.

As part of its commitment to fulfilling this vision, the Group is steadfast in embracing the tenets of sustainability throughout its value chain. This resolve is reflected in Hua Yang Berhad's Sustainability Report 2019, a stand-alone report that is available in print upon request as well as downloadable on our website www.huayang.com.my.

The following Sustainability Statement highlights our economic, environment and social (EES) risks and opportunities that are associated with our business operations throughout the period of 1 April 2018 to 31 March 2019.

Our Sustainability Strategy

The Group's overall sustainability strategy is aligned to its vision and core values. Through this alignment, we have adopted four (4) key sustainability pillars, namely economic, workplace, environmental and social. These pillars effectively represent the EES aspects of the Group and provide a building block for our future initiatives in relation to sustainable development.



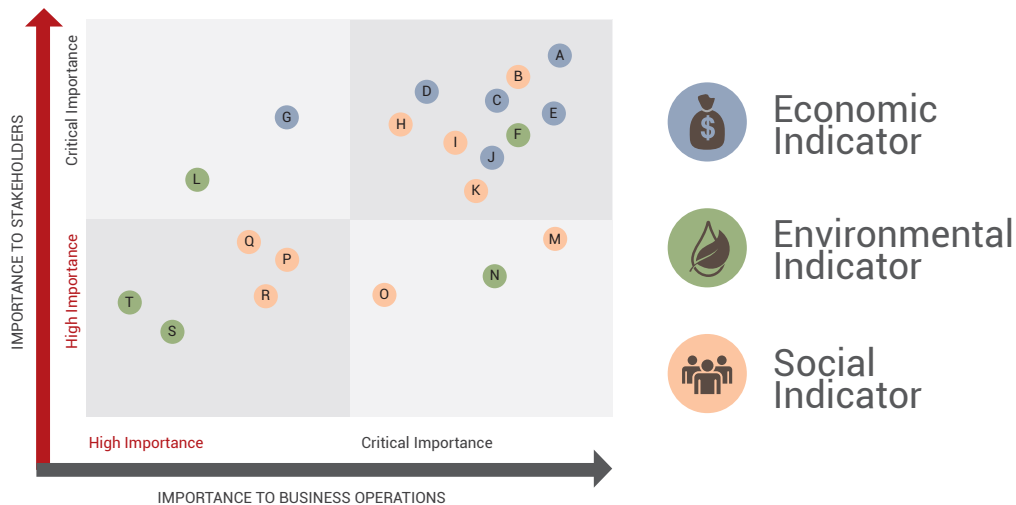
SUSTAINABILITY STATEMENT (CONT'D)

Our Sustainability Committee is tasked to oversee the Group's efforts towards embracing corporate sustainability. The Board of Directors provide oversight to the Sustainability Committee, which is chaired by the Chief Executive Officer.



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 and 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

SUSTAINABILITY STATEMENT (CONT'D)



ECONOMIC SUSTAINABILITY

The Group aims to achieve business sustainability by combining measures to ensure long-term profitability and healthy growth. These measures can be categorised into four key areas:

1. Embedding ethical business practices

Hua Yang continues to adhere to all relevant laws and regulations to the best of its abilities. The Group has also adopted principles from the Malaysian Code of Corporate Governance 2017 to ensure it operates with high levels of corporate governance.

We cultivate ethical business practices throughout our operations by establishing and implementing a Code of Conduct and Ethics in the Employee Handbook. The Board has also approved a Code of Conduct and Business Ethics on 22 May 2018.

Additionally, the Board has approved a Whistleblowing Policy on 22 May 2018 and is available on the company's website.

2. Business digitisation

The advancement of digital technology has and will continue to change the way organisations and companies operate. The Group has been working hard to ensure that we are able to implement digital technology across our value chain to improve the efficiency and effectiveness of our business.

3. Product quality control

As a leading property developer, Hua Yang's properties are developed based on the highest safety standards, ensuring that they meet the expectations of owners. Our efforts to ensure product quality is further extended by our commitment 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

Customer satisfaction is critical to the Group's business operations and reputation. As such, we have applied a comprehensive customer satisfaction assurance method through our Customer Care Office as part of our Customer Relationship Management (CRM) system.

We also implemented a new procedure manual that logs defect list and rectification works highlighted by new owners and tenants to ensure thorough inspection, verification and rectification works are conducted by our qualified project managers, engineers and contractors within stipulated timeline.



Business Digitisation Targets

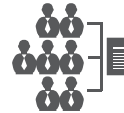


Human Resources
Management
System (HRMS)

Initiated 5th Module:
Performance Appraisal
in FY2019



Completion of
the e-DMs
September 2018



Enterprise Resource
Planning (ERP)
Initiated ERP in FY2019

**Current Building
Quality Inspected
to Receive
QLASSIC Certification**

Workmanship quality
of **Architectural Works**

Workmanship quality
of **Basic Mechanical and
Electrical Fittings**

Workmanship quality
of **External Works**

SUSTAINABILITY STATEMENT (CONT'D)



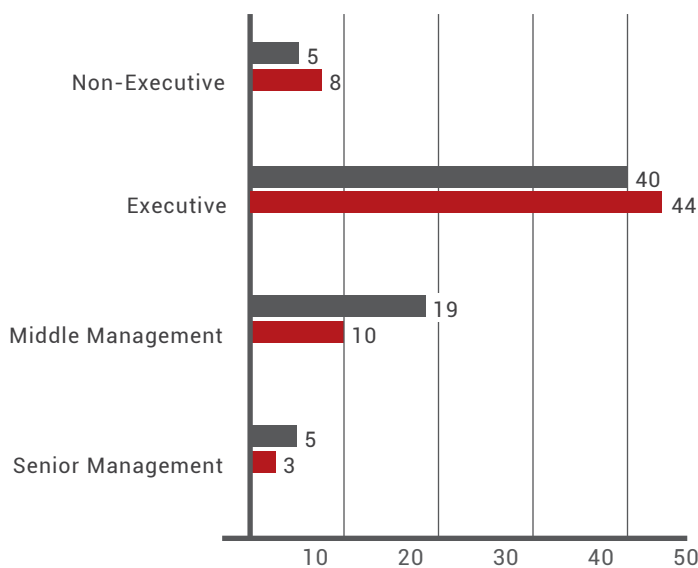
WORKPLACE SUSTAINABILITY

A productive workforce can only be cultivated and maintained if the safety, health and wellbeing of our employees are well protected and cared for. In tandem with this, the Group's *Emergency Response Team* or ERT continues to spearhead efforts to implement and monitor workplace safety measures, record and investigate instances of workplace accidents or non-compliance to safety standards and conduct planned emergency evacuation exercise annually.

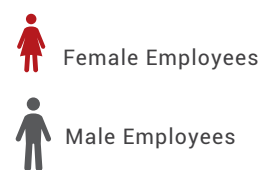
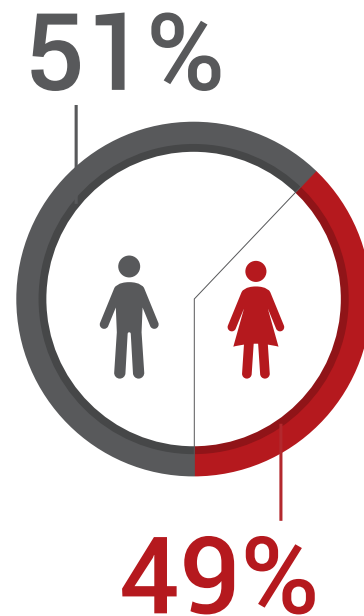
In the area of diversity and inclusion, the Group strictly hires talents based on merit. Academic qualification, experience in the industry and professional skill sets are among the criteria that lead to employee hires rather than gender or racial differentiation.

In developing our talent, the company invested its effort to ensure our employees fulfil their mandatory 8 hours of training per year by participating in various trainings or forums that cover diverse range of business topics. This way, we facilitate our employees to become effective at handling day-to-day tasks and be equipped with the skill set and mindset to enhance their career prospects.

Employee Gender Distribution by Job Designation



Employee Gender Distribution

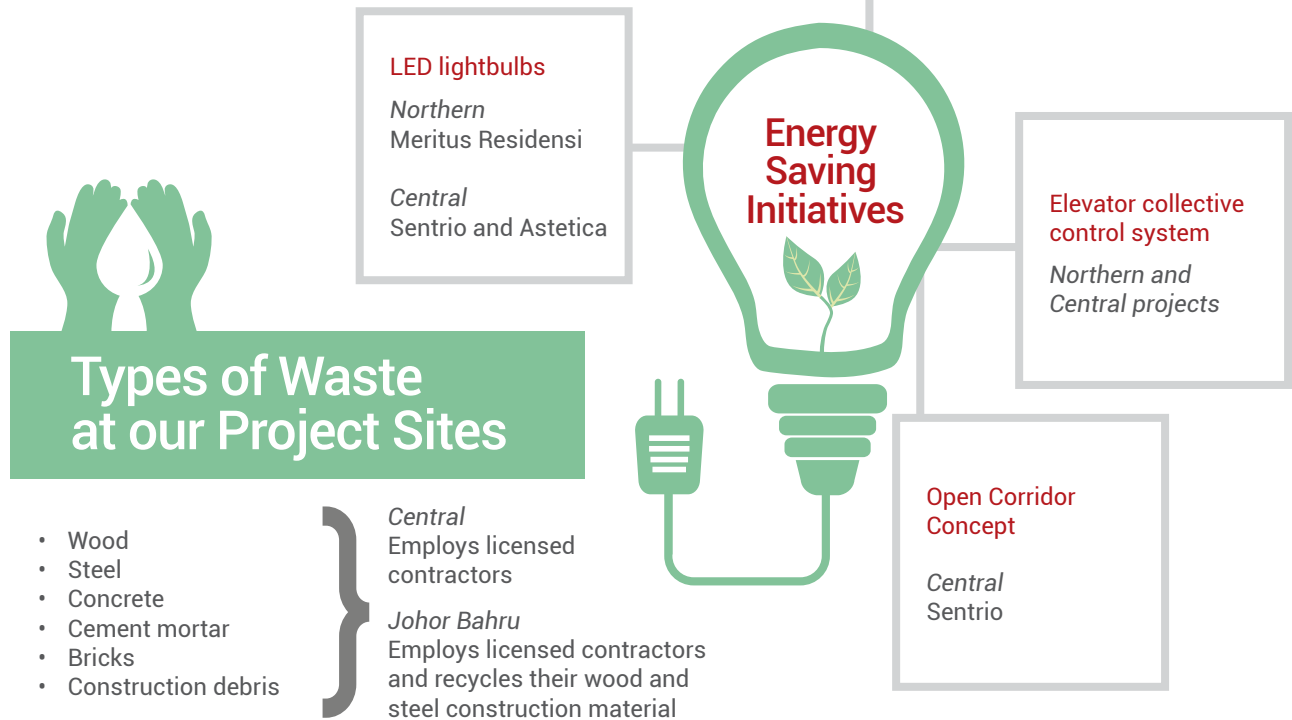


SUSTAINABILITY STATEMENT (CONT'D)



ENVIRONMENT SUSTAINABILITY

Hua Yang aims to develop properties that are of quality, affordable and also environmentally sound in terms of energy consumption, water usage and responsible waste management.



Water Management Practices

RAIN WATER HARVESTING

Northern
Bandar Universiti Seri Iskandar

Central
Sentrio, Astetica and One South

Southern
Citywoods

WATER RETENTION POND

Northern
Bandar Universiti Seri Iskandar

Southern
Elemence @ Taman Denai Alam

DUAL FLUSH SYSTEM

Central
Sentrio, Astetica and One South

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL SUSTAINABILITY

As a socially responsible corporate citizen, Hua Yang also actively invests in communities in and around our developments, specifically in support of initiatives that can positively impact and enrich the lives of members of those communities.



**AUG
2018**

Blood Donation
@ Meritus Residensi

**SEPT
2018**

Taylor's College - Case Study
of Building Services in Multi-
Storey Buildings

Ride for Autism



**JAN
2019**

Medklinn Air Sterilizer Fund Raising
for St. John Ambulance of
Malaysia Kawasan Pantai Selangor



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Hua Yang Berhad ("Hua Yang" or "the Company") is committed to ensuring 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 2019. 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 Malaysia Code on Corporate Governance ("MCCG").

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 fields 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 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 effective 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 seven (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 become 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 encourages 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 authorisation is given by the Board.
- The CEO, in association with the Chairman, is accountable to the Board for the achievement of the Company goals and the CEO is accountable for the observance of the Management Limitations.

KEY RESPONSIBILITIES OF COMPANY SECRETARIES

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

The Company Secretaries have attended seminars and workshops during the financial year 2018/2019 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.
- Serve 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 Secretary for the purposes of the Board's affairs and the Business.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD CHARTER

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

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

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

CODE OF CONDUCT AND BUSINESS ETHICS

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

The Board develops and formalises a clear set of values that emphasise a culture encompassing sound business practices and good ethical conduct incorporated in the Code of Conduct and Business Ethics and the formulation of the Group's Policies and Procedures statements 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

The Board has established a Whistleblowing policy. 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.

INDEPENDENCE

The Board comprises three (3) Independent Directors out of the seven (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 advise and contribute their knowledge and experience. This is to ensure the Board discussions take into account the different viewpoints.

In line with the Code, the Board shall endeavour to increase the number of Independent Directors to half the Board within the next three years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 2019, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company.

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

TENURE OF INDEPENDENT DIRECTORS

The Code states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, the Nomination Committee and Board have assessed, reviewed and determined that the length of the service of Director does not affect the Directors in exercising 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 served the Board as Independent Non-Executive Directors for more than twelve (12) years respectively still remain objective and had actively participated in the Board's and Board Committee's discussion and provided an independent view to the Board. From time to time, they ensured effective check and balance in the proceedings of the Board and Board Committee. Their vast experiences enabled them to provide the Board with a diverse set of experience and expertise.

BOARD COMPOSITION

The Company has seven (7) members on the Board of whom three (3) are Independent Non-Executive Directors (including the Chairman), one (1) Executive Director and three (3) 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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

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

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 43 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 Secretary and Senior Management and the Board may seek independent professional advice, at the Company's expense if the cost is reasonable in practice and shall first discuss it with the Chairman.

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 Nominating 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.

Currently, 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 on the Board, i.e. Mdm Chew Po Sim and Y.A.M. Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud. The age of the Directors range from 45 to 76 and this creates an environment where each generation brings different skills, experience and talents to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 reviewed annually its mix of skills and experience and other qualities, including core competencies which Non-Executive Director should bring to the Board. In addition, the effectiveness of the Board as a whole by the contribution of each individual Director will be assessed by Nomination Committee.

DIRECTORS' REMUNERATION

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

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

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

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 2019 are as follow:

	FEES (RM)		SALARIES (RM)	BONUSES (RM)	MEETING ATTENDANCE ALLOWANCE (RM)	ESTIMATED MONEY VALUE OF BENEFITS-IN-KIND (RM)
	Company	Subsidiaries	Company	Company	Company	Company
EXECUTIVE DIRECTOR						
Mr Ho Wen Yan	-	-	708,000	59,000	-	7,200
NON-EXECUTIVE DIRECTORS						
Tan Sri Dato' Seri Dr. Ting Chew Peh	163,490	-	-	-	6,000	7,200
Dato' Tan Bing Hua	125,140	-	-	-	6,000	-
Mr Chew Hoe Soon	118,340	-	-	-	6,000	-
Mr Ho Mook Leong	94,000	16,569	-	-	6,000	-
Madam Chew Po Sim	94,000	-	-	-	5,000	-
Y.A.M. Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud	94,000	-	-	-	5,000	-
Mr Ho Wen Fan	-	789	-	-	4,000	-
Total	688,970	17,358	708,000	59,000	33,000	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 Malaysia Securities Berhad ("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 programmes, 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. Transformation from GST to SST, Driving Value with e-Procurement, Company Constitution and Corporate Liability	3 August 2018
	2. Malaysian Code on Corporate Governance (MCCG) - Moving from Aspiration to Actualization	25 September 2018
	3. Guidelines on Adequate Procedures	23 January 2019
	4. Business Transformation - Drive Impactful Performance Results	6 March 2019
Ho Wen Yan	1. Monthly Vistage - CEO Group	-
	2. Guidelines on Adequate Procedures	23 January 2019
Dato' Tan Bing Hua	1. How to Develop Business Models for Integrated Reporting	14 November 2018
	2. CG Breakfast Series: Companies of the Future - The Role for Boards	4 December 2018
	3. Guidelines on Adequate Procedures	23 January 2019
Chew Hoe Soon	Guidelines on Adequate Procedures	23 January 2019
Chew Po Sim	Guidelines on Adequate Procedures	23 January 2019
Y.A.M. Tengku Dato' Rahimah Binti Al-Marhum Sultan Mahmud	1. Guidelines on Adequate Procedures	23 January 2019
	2. Governance Symposium 2019	7 March 2019
Ho Mook Leong	Guidelines on Adequate Procedures	23 January 2019
Ho Wen Fan	Guidelines on Adequate Procedures	23 January 2019

RETIREMENT OF DIRECTORS

In accordance with the Company's Articles of Association, 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.

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 55 to 57 of this annual report.

(ii) Nomination Committee

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

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

The Nomination Committee's roles and responsibilities are governed by its Terms of Reference which can be obtained from the corporate website, www.huayang.com.my.

In line with the Code, Nomination Committee carries out documented annual evaluation on the effectiveness of the Board as a whole, the various Committees and each Directors, including Independent Non-Executive Directors' contribution to the effectiveness of the Board's decision making process.

The Nomination Committee ensures that all assessments and evaluations carried out are properly documented.

(iii) Remuneration Committee

The Remuneration Committee met once 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.

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 61 to 63 of this annual report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 55 to 57 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 judgements 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 70 to 150 of this annual report.

ASSESSMENT OF SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS

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

STATEMENT ON DIRECTORS' RESPONSIBILITIES

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

In preparing the financial statements, the Directors have:

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

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

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

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

CORPORATE DISCLOSURE POLICY

The Board is satisfied that during 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

LEVERAGE ON INFORMATION TECHNOLOGY FOR EFFECTIVE DISSEMINATION OF INFORMATION

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

Shareholders, investors and members of the public are able to access such announcements on Bursa Securities' website at www.bursamalaysia.com 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 is held as and when required.

ENCOURAGE SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS

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

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

Paragraph 8.29A of the Main Market Listing Requirements provides that any resolution set out in the notice of any general meeting or in any notice of resolution which properly be moved and is intended to be moved at any general meeting, shall be voted by poll. At least one (1) scrutineer will be appointed to validate the votes cast at the general meeting who must not be an officer of the Company or its related corporation, and must be independent of the person undertaking the polling process. Consequently, decisions at the Company's AGM scheduled to be held on 28 August 2019 will be conducted via polling, and for this purpose, the Company will engage independent scrutineers to validate the voting at the forthcoming AGM for each proposal presented to shareholders.

EFFECTIVE COMMUNICATION AND PROACTIVE ENGAGEMENT

An Investor Relations and Shareholder Communication Policy has been adopted by the Board to enable the Company to communicate effectively with its shareholders, potential investors, other stakeholders and public generally. The Board 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 five (5) times to review the Group's operations, quarterly and annual financial statements and any other matters that required the Board's approval. Details of each Director's attendance are set out on page 23 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 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 the 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 external auditors' management letter and management's response;
- To do the following in relation to the internal audit function:
 - 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;
 - review any appraisal or assessment of the performance of members of the internal audit function, if applicable;
 - approve any appointment or termination of senior staff members of the internal audit function, if applicable; and
 - take cognizance of resignations of internal audit staff members and provide the resignation staff member an opportunity to submit his reasons for resignation, if applicable.
- To consider other topics as defined by the Board.

AUDIT COMMITTEE REPORT (CONT'D)

MEETINGS

Five (5) meetings were held during the financial year ended 31 March 2019 and the attendance of the Audit Committee is as follows:

NAME OF COMMITTEE	ATTENDANCE
1. Tan Sri Dato' Seri Dr. Ting Chew Peh	5/5
2. Dato' Tan Bing Hua	5/5
3. Chew Hoe Soon	5/5

The External Auditors were invited to present the Audit Plan for the financial year 2019 and 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 2019:

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

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an external consultant who reports directly to the Audit Committee. The role of the internal audit function is to undertake independent, objective, regular and systematic reviews of the systems of internal controls and governance practices of the Group so as to provide reasonable assurance that such systems continue to operate effectively in managing the Group's risks.

The internal audit function has carried out the independent internal audit assignments on certain functions of the Group according to the approved annual risk based internal audit plan and the applicable International Standards for the Professional Practice of Internal Auditing which form part of the International Professional Practices Framework of the Institute of Internal Auditors. The resultant internal audit reports, summarizing the findings, recommendations as well as management response, were presented to the Audit Committee for deliberation periodically and forwarded to the Management for their necessary action.

The internal audit function adopts a risk based audit methodology, which is aligned with the risks of the Group to ensure that the relevant controls addressing those risks are reviewed on a timely basis.

Follow-up reviews were also conducted in ensuring that the recommendations of the internal auditors have been adopted and implemented by the Management. The total cost incurred for the Group's internal audit function during the financial year was RM52,500.

For the financial year 2019, the main activities of the internal audit function focused on the following:

- (i) Review the processes in the area of Project Management - Monitoring of Cost and Progress;
- (ii) Review of Corporate Governance Compliance;
- (iii) Review on Risk Management - Scope of Work and Planned Schedule; and
- (iv) Review the processes in the area of Sales and Marketing Function.

NOMINATION COMMITTEE REPORT

COMPOSITION

The Company has established a Nomination Committee comprising:-

Tan Sri Dato' Seri Dr. Ting Chew Peh	Chairman (Independent Non-Executive Director)
Dato' Tan Bing Hua	Member (Senior Independent Non-Executive Director)
Chew Hoe Soon	Member (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:

- Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness.
- Review annually its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and disclose the same in the Annual Report.
- Recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.
- Recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board having taken into consideration the skills, knowledge, expertise and experience, professionalism and integrity of the candidate. In the case of candidates for position of Independent Non-Executive Directors, the Committee should also evaluate the candidates' ability to discharge such responsibilities / functions as expected from Independent Non-Executive
- Formalise a transparent procedure for proposing new nominees and recommending on the suitability of candidates nominated for appointment to the Board and to fill the seats of the Audit, Nomination, Remuneration and other Committees.
- Assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director based on the process implemented by the Board.

The Nomination Committee met two times during the financial year ended 31 March 2019.

NOMINATION COMMITTEE REPORT (CONT'D)

HIGHLIGHTS OF ACTIVITIES

During the financial year ended 31 March 2019, 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 reelection 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; and
- (e) Reviewed and recommended the Nomination Committee Report for inclusion into the Annual Report.

The Nomination Committee upon its annual assessment carried out for financial year 2019, was satisfied that:

- (a) The size and composition of the Company's Board is optimum with appropriate mix of knowledge, skills, attribute and core competencies;
- (b) The Board has been able to discharge its duties professionally and effectively;
- (c) The Board Committees have carried out their functions effectively;
- (d) All the Directors continued to uphold the highest governance standards in discharging their duties and responsibilities;
- (e) All the Members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective skills and work experience, academics and professional qualifications, depth of knowledge, and their personal qualities;
- (f) The Directors are able to devote sufficient time commitment to their roles and responsibilities as evidenced by their attendance records; and
- (g) The trainings attended by the Directors during the financial year ended 31 March 2019 were relevant and would serve to enhance their effectiveness in the Board.

ADDITIONAL COMPLIANCE INFORMATION

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

1. Utilisation of Proceeds Raised from any Corporate Proposals

There were no proceeds raised from corporate proposal.

2. Audit and Non-Audit Fees

The details of fees paid / payable to the external auditors for the financial year ended 31 March 2019 as set out below:

	Group (RM'000)	Company (RM'000)
Statutory Audit	341	103
Other Services	147	115
Total	488	218

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 2019

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 2019.

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 half yearly basis.

Whilst the Board maintains ultimate control over risk and control issues, the Board has outsourced the risk management function to a professional services firm to provide risk management services within an established framework.

The risk management process of the Group is embedded in the Risk Management Framework & Policy and Procedure which is guided by the globally accepted standard for risk management, ISO31000 *Risk Management-Principles and Guidelines*.

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

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

The above procedures are undertaken via half yearly validation meetings conducted by the outsourced professional services firm with 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 the validation meetings in relation to the identification of new risks, relevance of risks, details of controls, management's action plans and rating of risks.

Based on the information furnished during the validation meetings, information on root causes and possible consequences of key risks and related controls risk response are compiled into Key Risk Indicators ("KRI") and are reflected in the respective individual KRPs. In compiling the KRI, the identified key 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 were devised to establish additional mitigation measures to reduce the risk rating to the acceptable level, where possible.

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

For Financial Year Ended 31 March 2019

INTERNAL CONTROL MECHANISM

The internal audit function is outsourced to a professional services firm. The work scope covered by the professional services firm, amongst others, include the independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. During the financial year ended 31 March 2019, the outsourced internal audit service provider carried out audits in accordance with the internal audit plan approved by the Audit Committee and other areas recommended by Senior Management of the Group. The results of the internal audit and the recommendations for improvement were presented to the Audit Committee at its quarterly meetings.

During their internal audit visits, the outsourced internal audit service provider has reviewed the compliance to the Group's policies and procedures and the adequacy and effectiveness of the Group's system of internal control. Areas of improvement in internal controls 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 to discuss 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 in 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 ongoing projects are performed by members of the Senior 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 had formally define levels of authority for various transactions through the Discretionary Authority Limits.

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

For Financial Year Ended 31 March 2019

MATERIAL ASSOCIATE

The disclosures in this statement do not include the risk management and internal control practices of the Company's associate. The Company's interest in the associate is safeguarded through the appointment of the Chief Executive Officer to the Board of Directors and working committees of the associate.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditor has reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 March 2019. They have 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*, nor
- (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. Not with standing this, the Board will continue to ensure that the Group's system of risk management and internal control will continuously evolve with the current changing and challenging business environment.

This statement was approved by the Board of Directors at its Meeting held on 17 July 2019.