

Corporate Governance Overview Statement

The Board of Directors of Heng Huat Resources Group Berhad ("**Board**") is committed to ensure that good corporate governance is practised and applied throughout the Group. These best practices will not only safeguard and enhance sustainability of its shareholders' value but also ensure that the interests of all the stakeholders are protected.

The Board is guided and remains vigilant of the principles and recommendations of corporate governance as stipulated in the Malaysian Code on Corporate Governance which took effect on April 2017 ("**the Code**"). The Group will continuously uphold good corporate governance practices and will endeavour to ensure that the principles and recommendations advocated therein by the Code are observed, where applicable and appropriate. The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report ("**CG Report**") as published in the Company's website at <http://www.henghuat.com.my>.

The three (3) principles set out below describe the extent of how the Group has applied and complied with the principles and recommendations set out in the Code pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") for the financial year under review.

Principle A	Board leadership and effectiveness
Principle B	Effective audit and risk management
Principle C	Integrity in corporate reporting and meaningful relationship with stakeholders

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsibilities of the Board

The Board acknowledges its key responsibilities in establishing the Group's overall strategic objectives, deliberating and directing strategic action plans and policies and strategic allocation of the Group's resources to align with the overall objectives of the Group. The primary focus of the Board mainly comprised formulation of strategies, overseeing the proper conduct of the Group's business and evaluating whether the business is properly managed, monitoring of financial performance, evaluation and management of principal risks faced by the Group, implementation and review of risk management and internal control system, succession planning, as well as development and implementation of investor relations programme and shareholders' policy.

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the Board's authorities and discretion to the Executive Directors and key management staff of the operating units within the Group ("**Management**"), as well as properly constituted Board committees. There is a clear segregation of responsibilities reserved for the Board and those delegated to the Management. Any material and important proposals that will significantly affect the policies, strategies, directions and assets of the Group will be subject to approval by the Board. None of the members of the Board has unfettered powers of decision.

The Board committees established are the Audit Committee, the Nominating Committee, Remuneration Committee and the Risk Management Committee (collectively referred to as the "**Board Committees**"). The Board committees are entrusted with specific duties and responsibilities to oversee the Group's affairs, in accordance with their respective terms of reference. At each Board meeting, minutes of the Board Committee meetings are presented to the Board. The respective Chairman of the Board Committees will also report to the Board on key issues deliberated by the Board Committees.

The roles and responsibilities of Executive and Non-Executive Directors are distinguished and clearly defined. The Executive Directors, through their daily involvement in the operations of the Group, assume the primary responsibility for managing the Group's operations and resources. Their intimate knowledge and vast experience of the business and their active-participation management style have contributed to the continued growth of the Group.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Roles and Responsibilities of the Board (cont'd)

The Independent Non-Executive Directors, on the other hand, exercise with professional competence and independence, a supervisory role via their involvement in various Board committees and focus principally on performance monitoring and enhancement of corporate governance and internal controls. They offer a capable check and balance for the Executive Directors and ensure that issues pertaining to strategies, performance and resources allocation proposed by the Management (led by the Executive Directors) are objectively evaluated, taking into consideration the interests of the shareholders and relevant stakeholders of the Group.

Roles of Chairman

The Chairman's responsibilities include:

- Chairing Board meetings and ensures the following:
 - All relevant issues are on the agenda;
 - Board freely debates on the strategic and critical issues;
 - Board receives the necessary management reports on a timely basis; and
 - Accurate, timely and clear information are provided to members of the Board.
- Providing leadership to the Board and is responsible for the developmental needs of the Board.
- Chairing shareholders' meetings and ensuring effective communication with shareholders and stakeholders.
- Facilitating the effective contribution of non-executive directors and ensuring constructive relations between the executive and non-executive directors.

The roles of the Chairman are mentioned in detail in the Board Charter which is made available on the Company's corporate website www.henghuat.com.my.

Currently, the Company has not appointed a Chairman but is reviewing the suitability of candidates for this position.

Separation of Roles of Chairman and Managing Director

A segregation of responsibilities between the Independent Non-Executive Chairman and the Managing Director is practiced by the Company. Their roles are clearly defined and segregated to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Chairman is not related to the Managing Director and is responsible for leading the Board in the oversight and supervision of the Group's management. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and the Management. The Managing Director is responsible for the day-to-day operations of the Group, making strategic business decision and implementing Board policies and decisions.

Role of Company Secretaries

The Board is supported by a qualified Company Secretaries. The Company Secretaries play an advisory role to the Board in relation to the Company's Constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries are also responsible in ensuring that deliberations at the Board and its Committees meetings are properly minuted and kept. During the financial year under review, the Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its duties and responsibilities.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Information and Support of Director

The Board convenes regular meetings on a quarterly basis to deliberate on the Group's overall strategies, operations and financial performance of the Group, with additional meetings to be convened from time to time to resolve any major and ad hoc matters requiring immediate attention. Directors are allowed to either participate in person, or through electronic means of communication (via teleconference).

During the financial year under review, 6 Board meetings have been called. The attendance of the individual Directors at the Board meetings are as follows:

	Attendance of Meeting
<u>Executive Directors</u>	
Dato' H'ng Choon Seng	6/6
Kee Swee Lai	6/6
Ng Chin Nam (Appointed on 2.8.2021)	4/4 ⁽ⁱ⁾
<u>Independent Non-Executive Directors</u>	
Dr. Lo Liang Kheng (Resigned on 1.10.2021)	2/2 ⁽ⁱⁱ⁾
Cheah Swi Chun	6/6
Ho Whye Chong	6/6
Lee Yee Woi (Appointed on 19.1.2022)	1/1 ⁽ⁱⁱⁱ⁾

Notes

- (i) *Four meetings were held subsequent to his appointment and up to 31 March 2022.*
- (ii) *Two meetings were held prior to his resignation.*
- (iii) *One meeting was held subsequent to his appointment and up to 31 March 2022.*

The Board is satisfied with the Directors' commitment in fulfilling their roles and responsibilities as directors, as evidenced by the good attendance record of the Directors at the Board meetings.

The Board is given full and unrestricted access to all information pertaining to the Group's affairs to assist them in discharging their fiduciary duties effectively. The Board also has full access to the advice and services of the Company Secretaries who are responsible to the Board for ensuring that the Board meeting procedures are adhered to and that the applicable rules and regulations are being complied with. The Board is allowed, whether as a full board or in their individual capacity, to solicit independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

Relevant formal meeting agenda are circulated to the Board members in advance of each Board meeting to ensure the Directors have sufficient time to solicit further explanations and/or information, where necessary, so as to enable them to duly discharge their duties and ensure that deliberations at the meeting are focused and constructive. Senior Management team and external advisers are normally invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda.

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

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Board Charter

A formal board charter ("**the Charter**") has been drawn up and adopted by the Board in accordance with of the Code. The Board is guided by its Board Charter which clearly sets out the Board's roles, duties and responsibilities in discharging its fiduciary and leadership functions.

The objectives of the Charter are to ensure that the members of the Board are aware of their roles, duties and responsibilities and the application of principles and practices of good corporate governance in their business conduct and dealings in respect of, and on behalf of the Company and comply with the various laws and regulations governing them and the Company.

The Board will review the Charter at least once in every financial year and to make any necessary amendments when the Board deems necessary.

The Board Charter is available for reference on the Company's corporate website at www.henghuat.com.my.

Code of Conduct and Ethics

A formal code of conduct ("**the Code of Conduct**") which outlines the standards of business conduct and ethical behaviour which the Directors and employees should adhere to has been put in place in accordance with the Code.

The Code of Conduct is available for reference on the Company's corporate website at www.henghuat.com.my.

Whistleblowing Policies and Procedures

The Group has a whistleblowing policy and procedure to allow employees and any external stakeholders to report cases of bribery amongst other matters in the workplace. There are proper grievance procedures in place to allow employees to report on matters that they wish to highlight to Management's attention.

The Whistleblowing policies and procedures is available for reference on the Company's corporate website at www.henghuat.com.my.

Board Composition and Independence

The Board currently consists of 6 members, comprising 3 Executive Directors and 3 Independent Non-Executive Directors as follows:

Executive Directors

Dato' H'ng Choon Seng	(Managing Director)
Kee Swee Lai	(Deputy Managing Director)
Ng Chin Nam	(Executive Director)

Independent Non-Executive Directors

Cheah Swi Chun
Ho Whye Chong
Lee Yee Wooi

The composition of the Board is in compliance with paragraph 15.02 of the Listing Requirements, which requires at least 2 Directors or 1/3 of the Board, whichever is the higher, to consist of Independent Non-Executive Directors.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Board Composition and Independence (cont'd)

The biographical information of each Director are presented on pages 15 to 18 of this Annual Report, under Directors' Profile.

Members of the Board are persons of high calibre with different professional and commercial backgrounds. With a blend of good management, entrepreneurial skills and industry-specific knowledge, they bring extensive depth and diversity in experience and perspectives which are essential for the sustainability of the Group. To ensure an effective and independent supervision, all the Independent Non-Executive Directors in office are independent of the Executive Directors, Management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a proper check and balance on the Board's deliberations.

Continuing Education Programme for Directors

The Board takes cognisance of the importance of appropriate continuous training in keeping the Directors updated and informed on the changes and developments of operating environment and the corporate regulatory framework.

All the Directors have attended and completed the Mandatory Accreditation Programme (MAP). Moreover, the Directors are briefed and updated at the quarterly meetings by the Company Secretaries, Internal and/or External Auditors on relevant amendments to the Listing Requirements, corporate governance practices and principles, risk management and internal control approaches, Malaysian Financial Reporting Standards, as well as auditing requirements. The Directors also gained insights to the market development through constructive and active deliberations at the Board meetings.

During the financial year under review, the training programmes, seminars and briefings attended by the Directors are as follows:

Name of Director	Training Programme
Dato' H'ng Choon Seng	Risk Management 26 - 27 November 2021
Kee Swee Lai	Risk Management 26 - 27 November 2021
Ng Chin Nam	Risk Management 26 - 27 November 2021
	Webinar on budget 2022: Budget highlights and reasons tax and developments
Cheah Swi Chun	MIA Webinar Series: Pre & Post IPO Rules and Key Updates to Listing Requirements
Ho Whye Chong	Risk Management 26 - 27 November 2021
Lee Yee Wooi	Mandatory Accreditation Programme

The Board is mindful of the importance of continuing professional development and the need for continuous update and training. The Board, via the Nominating Committee, will assess the training needs of the Directors on a continuing basis. The Directors are expected to identify suitable training programmes for participation to ensure that they are updated and kept abreast with the economy developments, changes in the industry and business environment, new regulatory and financial reporting requirements, as well as essential practices for effective corporate governance, risk management and internal control. Thus, allowing them to discharge their roles and responsibilities effectively.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the issuance of Annual Audited Financial Statements, quarterly financial reports, and corporate announcements on significant developments affecting the Group in accordance with the Listing Requirements.

The Annual Audited Financial Statements and quarterly financial reports are prepared in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the Listing Requirements of Bursa Securities.

Directors' responsibilities in relation to the preparation of the Group's financial statements are further elaborated under Directors' Responsibility Statement.

The Audit Committee assists the Board in overseeing the Group's financial reporting processes and ensuring the quality of its financial reporting. The Group's annual and quarterly financial statements are reviewed by the Audit Committee, with the focus on changes in accounting policies, Management's judgement in applying these accounting policies as well as the assumptions and estimates applied in accounting for certain material transactions.

Assessment of Suitability and Independence of External Auditors

The Board acknowledges that the independent opinion of the Group's External Auditors is essential in reassuring the shareholders that the Group's financial statements present a true and fair view of its financial position, financial performance and cash flows status.

The Board strives to establish a transparent and professional relationship with the Group's External Auditors with the assistance of the Audit Committee. The Audit Committee members meet with the Group's External Auditors at least twice a year with the absence of the Executive Directors and Senior Management to discuss the results and concerns arising from their audit.

The Audit Committee is responsible to review and monitor the suitability and independence of the Group's External Auditors. The Audit Committee had obtained assurance from its external auditors, Messrs. Grant Thornton Malaysia PLT, confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. After having satisfied with the performance of Messrs. Grant Thornton Malaysia PLT and its audit independence, the Audit Committee recommended the re-appointment of Messrs. Grant Thornton Malaysia PLT to the Board for approval by its shareholders at the forthcoming AGM.

Tenure of Independent Director

The Board is aware that the tenure of an Independent Non-Executive Director should not exceed a cumulative term of 9 years as recommended by the Code.

Upon completion of the 9 years, the Independent Non-Executive Director concerned may:

- Continue to serve on the Board if deemed appropriate and suitable by the Board, subject to him/her being re-designated as Non-Independent Director; or
- Remain as an Independent Non-Executive Director if deemed appropriate and suitable by the Board, subject to the shareholders' approval. The Board must provide justification for the decision.

As of the date of this Annual Report, none of the Independent Non-Executive Directors has served a consecutive term of nine (9) years.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Board Diversity, Targets and Measures to Meet Those Targets

The Group currently has no female Board member.

The Board acknowledges the important of promoting gender diversity to comply with the recommendations of the Code.

As recommended under practice 4.5, the Code encourages that the Board comprises of 30% women directors. The Board will remain mindful and has set an objective to comply with the Code by appointing more women director to the Board when suitable candidate is identified to support the Group's objectives.

The Group is an employer who provides equal opportunity to all its employees. All appointments and employments are strictly based on meritocracy and are not driven by any racial, gender, ethnicity or age bias.

Sourcing of Director

The Nominating Committee shall exclusively comprises of Non-Executive Directors, a majority of whom are Independent Directors and is primarily responsible for the following:

- Propose, consider and recommend suitable persons for appointment as Director. In making its recommendations, the Nominating Committee should consider the candidates:
 - Skills, knowledge, expertise and experience;
 - Professionalism;
 - Integrity; and
 - In the case of candidates for the position of Independent Non-Executive Directors, to evaluate the candidates' ability to discharge such responsibilities/ functions as expected from the Independent Non-Executive Directors;
- Recommend to the Board the Directors to fill the seats on the Board Committees;
- Annual review of the required mix of skills, experience, competencies, independency and other qualities, which Non-Executive Directors should bring to the Board;
- Annual assessment of the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director including the Independent Non-Executive Directors as well as the Chief Executive Directors;
- Review the succession plans and training programmes for the Board; and
- Perform such other responsibilities as may be delegated by the Board from time to time.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Sourcing of Director (cont'd)

During the financial year under review, 1 meeting of the Nominating Committee was held to undertake the following activities:

- Assessed the size and composition of the Board;
- Reviewed and discussed the performance and contribution of the individual Directors (both the Executive Directors and Independent Non-Executive Directors);
- Assessed the performance of the Board and of the respective Board Committees;
- Reviewed the terms of office and performance of Audit Committee and each of its members; and
- Evaluated the Directors that shall retire at the forthcoming Annual General Meeting ("**AGM**") pursuant to the Company's Constitution and made recommendation for their re-election.

The details of attendance are reflected below:

	Attendance of Meeting
<u>Chairman</u>	
Ho Whye Chong (<i>Independent Non-Executive Director</i>)	1/1
<u>Members</u>	
Dr. Lo Liang Kheng (<i>Independent Non-Executive Director</i>) (Resigned on 1.10.2021)	1/1 ⁽ⁱ⁾
Cheah Swi Chun (<i>Independent Non-Executive Director</i>)	1/1
Lee Yee Wooi (<i>Independent Non-Executive Director</i>) (Appointed on 19.1.2022)	N/A ⁽ⁱⁱ⁾

Notes

- (i) *One meeting was held prior to his resignation*
- (ii) *No meeting was held subsequent to his appointment.*

Chairmanship of the Nomination Committee

Practice of the Code advocates that the Chairman of the Nominating Committee should be the Independent Director or a Senior Independent Non-Executive Director.

The Nominating Committee carries out an assessment on the composition of the Board, contribution of each individual Directors and overall effectiveness of the Board as a whole, and the Board Committees, on an annual basis, to ensure as far as possible, the Board is equipped with members of different mix of skill sets, competencies and gender diversity as well as to identify areas for improvement and for the purposes of reappointment of Directors of the Company.

Upon assessment of the Board's size and composition, the Nominating Committee is satisfied that the Board's size is appropriate given the scale of the Group's business and operations and the composition is well-balanced with mix of knowledge, skills and attributes to enable the Board to discharge its duties efficiently.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Evaluation of Board, Board Committees and Individual Directors

The Board as a whole makes decisions on appointment of Director, upon recommendation by the Nominating Committee.

The selection and appointment of suitable candidates for the Board membership are conducted in a systematic manner. It involves the following 5 nomination procedures:

- Identification/selection of potential candidate(s);
- Assessment of suitability of candidate(s);
- Formal interview with potential candidate(s);
- Final deliberation by the Nominating Committee; and
- Recommendation to the Board for approval.

In the selection process, the Board and the Nominating Committee endeavour to appoint member that can improve the Board's overall compositional balance and enhance the Board's overall effectiveness in discharging its duties. The selection process is unbiased and unprejudiced in respect of race, religion and gender although the Board and the Nominating Committee are cognisant of the gender diversity recommendation advocated by the Code.

Pursuant to the Company's Constitution, 1/3 of the Directors are required to retire at each Annual General Meeting and be subjected to re-election by shareholders. All Directors shall also retire at least once every 3 years. Directors who are newly appointed by the Board shall retire and subject themselves for re-election by the shareholders at the next Annual General Meeting held following their appointments.

The Companies Act 2016 abolished the maximum age for Directors and hence, the appointment or re-appointment of Directors will be based on their qualifications and merits.

Upon the recommendation of the Nominating Committee and the Board, the Directors who are standing for re-election and re-appointment at the coming Eleventh Annual General Meeting of the Company to be held in 2022 as stated in the Notice of Annual General Meeting.

Annual Assessment of the Board

The Nominating Committee carries out an assessment on the composition of the Board, contribution of each individual Directors and overall effectiveness of the Board as a whole, and the Board Committees, on an annual basis, to ensure as far as possible, the Board is equipped with members of different mix of skill sets, competencies and gender diversity as well as to identify areas for improvement and for the purposes of reappointment of Directors of the Company.

Upon assessment of the Board's size and composition, the Nominating Committee is satisfied that the Board's size is appropriate given the scale of the Group's business and operations and the composition is well-balanced with mix of knowledge, skills and attributes to enable the Board to discharge its duties efficiently.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Remuneration Policy and Procedures for Director and Senior Management

According to the Code, the Remuneration Committee shall only consist of Non-Executive Directors, a majority of whom are Independent Directors and is primarily responsible for the following:

- Recommend to the Board the remuneration package of the Executive Directors and key senior management personnel in all its form, drawing from outside advice, if necessary;
- Recommend to the Board the remuneration of Non-Executive Directors which shall be a decision of the Board as a whole, save and except where the remunerations is in respect of any member or members of this Committee; and
- Assist the Board in discharging its responsibilities relating to, amongst others, compensation strategy, succession planning, management development and other compensation arrangements.

During the financial year, Remuneration Committee had rescheduled the Remuneration Committee meeting and to be held after year end. Subsequent to reporting date, 1 meeting of the Remuneration Committee was held and the details of attendance are reflected below:

	Attendance of Meeting
<u>Chairman</u>	
Dr. Lo Liang Kheng (<i>Independent Non-Executive Director</i>) (Resigned on 1.10.2021)	1/1 ⁽ⁱ⁾
Ho Whye Chong (<i>Independent Non-Executive Director</i>)	1/1
<u>Members</u>	
Cheah Swi Chun (<i>Independent Non-Executive Director</i>)	1/1
Lee Yee Wooi (<i>Independent Non-Executive Director</i>) (Appointed on 19.1.2022)	N/A ⁽ⁱⁱ⁾

Notes

- (i) *One meeting was held prior to his resignation*
(ii) *No meeting was held subsequent to his appointment.*

The principal objective of the Group's remuneration policy is to attract, retain and motivate the Directors of the necessary calibre and experience to lead and manage the Group effectively. For Executive Directors, the remuneration package is structured to align the interests of the Executive Directors with those of shareholders and is linked to corporate and individual performance, service seniority, experience and responsibilities. For Independent Non-Executive Directors, the level of remuneration is based on the level of their experience and responsibilities.

The framework of Executive Directors' remuneration package and the terms of their employment are recommended by the Remuneration Committee for the Board's approval. The remuneration package of Independent Non-Executive Directors is determined by the Board as a whole. Directors are required to abstain from deliberations and voting on decisions concerning their own remuneration.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Disclosure of Remuneration

The details of the remuneration of the Directors who are also top Key Senior Management for the financial year ended 31 March 2022 are as follows:

Group	Fees RM'000	Meeting Allowance RM'000	Salary RM'000	Bonus RM'000	Share issuance scheme expenses RM'000	Other emoluments RM'000	Benefits- in-kind RM'000
Non-Executive Director							
Cheah Swi Chun	24	*	-	-	38	-	-
Dr. Lo Liang Kheng	12	*	-	-	-	20	-
Ho Whye Chong	18	*	-	-	1,125	-	-
Lee Yee Wooi	6	-	-	-	-	-	-

Executive Director							
Dato' H'ng Choon Seng	-	-	560	500	-	128	16
Kee Swee Lai	-	-	380	350	504	88	21
Ng Chin Nam	-	-	279	310	1,663	66	2

Company	Fees RM'000	Meeting Allowance RM'000	Salary RM'000	Bonus RM'000	Share issuance scheme expenses RM'000	Other emoluments RM'000	Benefits- in-kind RM'000
Non-Executive Director							
Cheah Swi Chun	24	*	-	-	38	-	-
Dr. Lo Liang Kheng	12	*	-	-	-	20	-
Ho Whye Chong	18	*	-	-	1,125	-	-
Lee Yee Wooi	6	-	-	-	-	-	-

Executive Director							
Dato' H'ng Choon Seng	-	-	-	-	-	-	-
Kee Swee Lai	-	-	-	-	-	-	-
Ng Chin Nam	-	-	174	-	-	21	2

Notes

* Less than RM1,000

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Risk Management

The Board recognises the significance of sound risk management and internal control systems, which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility in ensuring the adequacy, effectiveness and integrity of the Group's risk management and internal control system which encompasses risk management practices as well as financial, operational and compliance controls. Nonetheless, it is important to note that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

The *Statement on Risk Management and Internal Control* set out on pages 37 to 40 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Internal Audit Function

The Board has outsourced its internal audit function to a professional consulting firm, which is independent to the activities and operations of the Group. The Outsourced Internal Auditors conduct independent reviews on the state of risk management and internal controls of the Group and report directly to the Audit Committee. The findings of the internal auditors, together with recommended action plans, are reported to the Audit Committee and conveyed to the Management.

A summary of the major areas of work performed by the internal auditors during the financial year are set out in the *Audit Committee Report* on pages 41 to page 44 of this Annual Report.

Risk Management Committee

The Risk Management Committee (“RMC”) has been established to review the adequacy and effectiveness of risk management of the Group. The RMC’s main role is to review, on behalf of the Board, the system of risk management necessary to manage the key risks inherent in the business and to present its findings to the Board.

Risk Management enables the Group to identify, assess and mitigate risks systematically.

Continuous risk assessment is fundamental to the Group’s risk management process where the risk owners from the business and corporate units are responsible to develop the appropriate response strategies to mitigate the risks.

Detail of the activities carried out by the RMC in 2022 are set out on pages 37 to page 40.

The Term of Reference is available for reference on the Company’s corporate website at www.henghuat.com.my.

PRINCIPLE C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Corporate Disclosure Policy

The Board is aware of the importance of maintaining proper corporate disclosure procedures with the aim of providing shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team preparing the disclosure will conduct proper verification, as well as coordinate the efficient disclosure of material information to the investing public.

The Board, in its best efforts, always ensure that the financial results are released to the shareholders and the general public on a timely manner and the financial statements are presented with accuracy and adequacy and comply with all relevant regulatory reporting requirements and financial reporting standards.

Leverage on Information Technology for Effective Dissemination of Information

To ensure effective dissemination of information to the shareholders and stakeholders, an Investor Relations (“IR”) section has been incorporated in its corporate website, which provides all relevant information on the Group and is accessible by the public. This IR section enhances the IR function by including all announcements made by the Company to the website of Bursa Securities, quarterly report, annual report, board charter as well as corporate governance structure of the Company.

The Company will continuously enhance the disclosures on its website for broader and effective dissemination of information to its shareholders and stakeholders.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

Shareholders' Participation at General Meeting

All shareholders are invited and encouraged by the Board to attend the Company's general meeting, particularly the Annual General Meeting, as it forms an important platform where the shareholders can engage directly with the Board and the Management and raise any questions and concerns they may have on the Group. The Company is looking forward to solicit feedbacks and views from its shareholders and answer shareholders' question on all issues pertaining to the Company at the AGM. Shareholders who are unable to attend personally are allowed to appoint proxy/proxies to attend and vote on their behalf. Notice of the Annual General Meeting is circulated to the shareholders at least 28 days prior to the meeting.

Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.31A of the Listing Requirements. The Board will implement poll voting for all the resolutions to be passed in the forthcoming Annual General Meeting. The Company will appoint 1 scrutineer, who is independent of the Group and the person undertaking the polling process, to validate the votes casted.

The Board will consider adopting electronic voting to facilitate greater shareholders participation when the facilities for electronic voting mechanism are more prevalent in the future.

Effective Communication and Proactive Engagement

The Board acknowledges the paramount importance of an active and constructive communication policy that enables effective communication between the Board, shareholders, stakeholders and general public and the importance of timely dissemination of information to shareholders, stakeholders and general public and their rights to be updated of the Group's activities and performance to enable them to make informed evaluation and investment decision.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements;
- Annual General Meetings; and
- Corporate website under www.henghuat.com.my.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. Notwithstanding that, shareholders and investors may also direct their queries to other Director of the Group as the Board operates in an open environment in which information is freely exchanged among the Board members, with due care exercised to safeguard the confidentiality of the information.

While the Group strives to provide as much information as possible to the shareholders and stakeholders, the Board upholds strict standards of confidentiality with regard to undisclosed material information under all circumstances and is cognisant of the legal and regulatory framework governing the dissemination of information to shareholders and the general public particularly the rules and regulations stipulated under Chapter 9 of the Listing Requirements.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C – INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

Corporate Governance Compliance Statement

The Board recognises the importance of good corporate governance towards long term sustainability of the Group. The Board always strive to adopt the principles and recommendations promoted by the Code. Save as disclosed within this Annual Report, the Group has, and will continue to apply the principles and recommendations as set out in the Code where practical and appropriate.

This statement was made in accordance with a Board of Directors' resolution dated 25 July 2022.

DIRECTORS' RESPONSIBILITY STATEMENT

In the course of preparing the annual financial statements for the Group and the Company, the Directors reaffirm that they are collectively responsible for ensuring that these financial statements are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the Listing Requirements of Bursa Securities; and that the financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group for the financial year ended 31 March 2022.

To ensure that the financial statements are properly drawn up, the Directors have taken the following measures:

- adopted the relevant Malaysian Financial Reporting Standards and International Financial Reporting Standards;
- applied the appropriate and relevant accounting policies on consistent basis;
- where applicable, made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on going concern basis; and
- ensured that proper accounting records are kept in accordance with the requirements of the Companies Act 2016 so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also made reasonable steps to prevent and detect fraud as well as other irregularities in safeguarding the assets of the Group.

This statement was made in accordance with a Board of Directors' resolution dated 25 July 2022.