

CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that good corporate governance is practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the long-term financial performance of the Group. The Board acknowledged and welcome the implementation towards achieving the objectives of the Code.

The Board is pleased to report on the manner the Group has complied with the relevant principle and recommendations of good governance as set out in the Malaysian Code on Corporate Governance 2012 (the Code) pursuant to Paragraph 15.25 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (the Main Market Listing Requirements) as set out below. The Board having duly considered the rationale for the said exception as explained in this Annual Report.

1. Board of Directors

Principal Responsibilities

The Board has the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investment and business of the Group. The following are specific areas of responsibilities of the Board:-

- Strategic plan of the Group
- Monitoring the conduct and management of the Group's business
- Identification of risks and ensure appropriate systems for risk management
- Succession planning for senior management
- Internal control system
- Developing and implementing an investor and shareholders communication policy

The Board shall meet at least four (4) times a year at quarterly intervals with additional meetings convened as necessary. Five (5) Board Meetings were held during the financial year ended 31 December 2015. Details of attendance of Directors at the Board Meetings are presented in the Statement Accompanying the Notice of the Fourteenth Annual General Meeting.

Board charter

The Board has adopted a Charter, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities including the vision and mission and principles of the Company and the policies and strategy development of the Group. The Charter also serves as a source of reference and primary induction literature, providing insights to new Board members.

The Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. Salient terms of the Charter are made available at the Company's website at www.ynhb.com.my.

Supply of information

All Directors have unhindered access to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with. All Directors also have access to all information within the Group.

A formal procedure shall be implemented to enable the full Board or in their individual capacity to take independent professional advice at Group's expense in furtherance of their duties.

CORPORATE GOVERNANCE STATEMENT (cont'd)

2. Board composition and balance

The Company is currently led by a Board comprising five (5) members, one (1) of whom is the Executive Chairman and one (1) is the Managing Director whilst the remaining three (3) are Independent Non-Executive Directors. The Board has reviewed the composition of its members which comprised five (5) and has decided to keep the Board members to five (5) having regards to the current level of activities.

There is a Board balance of Executive Directors and Independent Non-Executive Directors with at least half (1/2) of the Board consisting of Independent Non-Executive Directors. Together, the Directors bring a wide range of business and financial experience relevant to the direction of the Group.

There is a clear division of responsibility between the Chairman and Managing Director to ensure a proper balance of power and authority. The Managing Director has overall responsibilities over the operating units, organisational effectiveness and implementation of Board policies and decisions. The Chairman's responsibility is to ensure effectiveness and conduct of the Board. The presence of three (3) Independent Non-Executive Directors fulfil a pivotal role in corporate accountability. Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors are particularly important as they provide unbiased and independent views, advice and judgment.

Dato' Robert Lim @ Lim Git Hooi, DPMP, JP acts as the Senior Independent Non-Executive Director. Any concerns relating to the Group may be conveyed to him.

3. Appointments to the Board

The Board has set up a Nominating Committee on 20 February 2004 with the responsibility for proposing new nominees for the Board and for assessing Directors on an on-going basis. Nevertheless, the actual decision as to who shall be appointed should be the responsibility of the entire Board after considering the recommendations of the Nominating Committee.

4. Directors training

The Board has undertaken an assessment of the training needs of each Director. All Directors have complied with the Continuous Training Programme prescribed by Bursa Malaysia Securities Berhad and during the financial year, the following training programmes and seminars were attended by the Directors:-

- In house trainings by all Directors:
 - a) Summary of 2015 Budget Proposals
 - b) Updates of the 2014 & 2015 IFRS – Compliant MFRS
Preparing MFRS-Compliant Financial Statements in 2014, 2015 and thereafter
 - c) GST for Developers and Contractors
 - d) Overcoming Corporate Governance Challenges In Boardroom
- Dato' Robert Lim @ Lim Git Hooi, DPMP, JP has also attended the Audit Committee Conference 2015 on Rising to New Challenges conducted by Bursa Malaysia Securities Berhad.
- Ding Ming Hea has also attended a Law Seminar on Islamic Financial Services Act 2013 organised by Association of Islamic Banking Institution Malaysia and a Workshop on Risk Management & Internal Control organised by Bursa Malaysia Securities Berhad.

The Directors will continue to undergo training and other relevant programmes to further enhance their skills and knowledge where relevant.

5. Re-election of Directors

In accordance with the Articles of Association of the Company, all Directors who are appointed by the Board are subject to re-election at the next Annual General Meeting immediately after appointment and at least one-third (1/3) of the Directors are subject to re-election by rotation at each Annual General Meeting. The Articles of Association also provide that all Directors shall retire at least once in each three (3) years.

CORPORATE GOVERNANCE STATEMENT (cont'd)

6. Investor relations and shareholder communication

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. Announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations. These are available in the Bursa Malaysia Securities Berhad website and provides an avenue to its shareholders to receive information about the Group electronically.

7. The AGM

The Annual General Meeting which is held each year (not later than 30 June each year), provides a means of communication with shareholders. A copy of the Annual Report and notice of AGM are sent to all shareholders at least twenty-one (21) days before the AGM. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting.

Each item of special business included in the notice of meeting will be accompanied by a full explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Shareholders are also informed and invited to attend any Extraordinary General Meetings through circulars and notice of meeting where the Board is available to respond to shareholders' questions during the meeting.

The Chairman has the responsibility to inform the shareholders of their right to demand a poll vote at the commencement of the general meeting. Where required by regulations, substantive resolutions would be put to vote by poll.

At all times shareholders may contact the Company through the Company Secretary for information.

8. Corporate social responsibility statement

In the midst of pursuing business objective and striving to enhance shareholders' value of the Company, the Board of Directors has also dedicated to assist the local community and the general public to create a harmonious and pleasant living environment. The Company has ensured that, in achieving such objectives, the benefit shall not only include its shareholders but also its employees, the community and the environment. During the year the Group has contributed to the local community through Dato' Yu Neh Huat Foundation which is a trust maintained and operated by the controlling shareholder of the Company.

Dato' Yu Neh Huat Foundation ("the Foundation") is dedicated to the advancement of education and religion, relief of poverty, promotion of activities for the benefit and advancement of the sports, culture and art and for the benefit and preservation of the environment, nature and wildlife and specific for purposes beneficial to the local community mainly in the District of Manjung, Perak.

The Foundation has donated to Old Folks Home in Kg Cina, Community Centre, Temples, Sports Associations and various local schools in the District of Manjung. The Foundation also continues to provide scholarships to qualified students from the lower income group of society.

The Group emphasizes the need for safety and ethics not only in the work place but also in the products that it delivers. The Group also provide industrial training to technical students from various colleges and universities for a period of three to six months.

During the year, the Group also donated to the Sports Foundation, Medical Foundation and various Temples funds.

CORPORATE GOVERNANCE STATEMENT (cont'd)

9. Financial reporting

The Company's financial statements are prepared in accordance with the requirements of applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The Board is responsible to ensure that the financial statements of the Company present a balanced and understandable assessment of the state of affairs of the Company. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy and adequacy. In this respect, it is the Board's policy to ensure the accurate and timely dissemination of financial and corporate announcements for greater accountability and transparency. Such announcements are made to Bursa Malaysia Securities Berhad promptly upon the Board's approval.

10. Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial period and of their profit or loss and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

11. Risk Management and Internal control

The Board recognises the importance of sound risk management and internal controls practices to good corporate governance. In this respect, the Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems.

The Board has established a Risk Management Committee in 2005 that comprises the Managing Director and all senior management to assess the various types of risks which might have an impact on the profitable operation of the Group's business.

The Statement on Risk Management and Internal Control furnished on pages 26 to 27 of the Annual Report provides an overview on the state of risk management and internal controls within the Group.

12. Relationship with the auditors

The Company has always maintained a formal and transparent relationship with the external auditors in seeking professional advice and ensuring compliance with approved accounting standards. Both the external and internal auditors will meet the Board at least twice a year for the presentation of audit plan and results of audit when the annual financial statements are presented to the Directors. Annual appointment or re-appointment of the external auditors is by shareholders' resolution at the AGM on the recommendation of the Board. Annual appointment or re-appointment of the internal auditors is made by the Board on the Audit Committee's recommendation.

CORPORATE GOVERNANCE STATEMENT (cont'd)

13. Board Committees

The Board has established four committees to assist the Board in discharging certain responsibilities and duties. The establishment of these Board Committees further enhance the effectiveness of the Board in decision making.

a) Audit Committee

The Audit Committee is made up of three (3) Independent Non-Executive Directors. The Terms of Reference of the Audit Committee regulates the conduct of the members. The members are empowered to review the financial statements of the Group and deliberate on any audit finding from both the external and internal auditors arising from the Group's financial statements and any issues raised by the external and internal auditors.

The Committee has full access to both internal and external auditors. These auditors in turn have access at all times to the Chairman of the Audit Committee.

The Audit Committee Report is set out on pages 28 to 29 of the Annual Report.

b) Nominating Committee

The members of the Nominating Committee are:-

Chairman	:	Dato' Robert Lim @ Lim Git Hooi, DPMP, JP <i>(Senior Independent Non-Executive Director)</i>
Members	:	Ching Nye Mi @ Chieng Ngie Chay <i>(Independent Non-Executive Director)</i>

Terms of Reference

Composition

The Nominating Committee comprised two (2) members all of which are non-executive directors.

Functions

The functions of the Nominating Committee shall include the following:

- a) recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board.
- b) consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder.
- c) recommend to the Board, Directors to fill the seats on Board Committees.
- d) the Board, through the Nominating Committee, should review annually its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board. This should be disclosed in the Annual Report.
- e) the Board should implement a process, to be carried out by the Nominating Committee annually, for assessing the effectiveness of the Board as a whole, the Committees of the Board and for assessing the contribution of each individual Director.
- f) training and orientation of directors.
- g) in connection with the Remuneration Committee, succession plan for senior officers and key group managers.

CORPORATE GOVERNANCE STATEMENT (cont'd)

13. Board Committees (cont'd)

c) Remuneration Committee

The members of the Remuneration Committee are:

Chairman : Dato' Robert Lim @ Lim Git Hooi, DPMP, JP
(Senior Independent Non-Executive Director)

Members : Ching Nye Mi @ Chieng Ngie Chay
(Independent Non-Executive Director)

Dato' Yu Kuan Huat, DPMP, PMP, AMP, PPT
(Managing Director)

Terms of Reference

Composition

The Remuneration Committee comprise three (3) members, the majority of whom are Non-Executive Directors.

Functions

The functions of the Committee shall include the following:

- a) to recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary. Executive Directors should play no part in decisions on their own remuneration.
- b) to recommend to the Board the determination of remuneration packages of Non-Executive Directors, including the Non-Executive Chairman. The individuals concerned should abstain from discussion on their own remuneration.
- c) establish a formal and transparent procedure for developing policy on executive directors remuneration and for fixing the remuneration packages of individual Director.
- d) disclose in the Annual Report the details of the remuneration of each Director.
- e) compensation policies and programme.
- f) in conjunction with the Nominating Committee, succession planning for senior officers, key group managers and staff.
- g) employee compensation and benefits programme.

During the financial year, a Remuneration Committee Meeting was held on 27 February 2015.

The remuneration of each Director reflects the level of responsibility and commitment, which goes with Board membership. The Board determines the remuneration of each Director. It is the Board's or Committee's duty to ensure that the level of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. The Executive Directors play no parts in deciding their own remuneration and the respective Board members shall abstain from all discussion pertaining to their remuneration.

The fees for Directors, are endorsed by the Board for approval by the shareholders at the Annual General Meeting prior to payment to the Directors.

CORPORATE GOVERNANCE STATEMENT (cont'd)

13. Board Committees (cont'd)

c) Remuneration Committee (cont'd)

Terms of Reference (cont'd)

Functions (cont'd)

The details of the remuneration for Directors of the Company received or receivable for the financial year ended 31 December 2015 by category and in bands of RM50,000 and RM500,000 are as described below:-

Range of remuneration per annum	No. of Directors (Executive)	No. of Directors (Non-Executive)
RM50,001 to RM100,000	-	2
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	-	-
RM6,000,001 to RM6,500,000	-	-
RM6,500,001 to RM7,000,000	2	-

The remuneration packages of the Directors are as follows:-

Remuneration packages	Total per annum for the financial year ended 31 December 2015	
	Executive Directors RM	Non-Executive Directors RM
Fees	-	145,550
Salaries & other emoluments	13,228,868	150,408
Benefits-in-kind	49,800	-
TOTAL	13,278,668	295,958

d) Employees' Share Option Scheme (ESOS) Committee

The ESOS Committee was established on 23 June 2004. The ESOS Committee is given full power to administer the Scheme in such manner as it shall in its entire discretion deem fit and in accordance with the terms and conditions as set out in the bye-laws of the Scheme including setting and amending any regulations as allowed under the bye-laws. The ESOS Committee comprises Dato' Yu Kuan Huat, DPMP, PMP, AMP, PPT, Dato' Dr Yu Kuan Chon, DIMP, PPT, MBBS, Dato' Robert Lim @ Lim Git Hooi, DPMP, JP, Ching Nye Mi @ Chieng Ngie Chay, Ding Ming Hea and Chan Yan Meng.

14. Compliance with the Code

The Group has complied with the relevant principle and recommendations of good governance as contained in the Code other than those exception set out below. The reasons for such non-compliances are as follows:

- a) The Chairman must be of a non-executive member of the Board. However, the Nominating Committee have assessed, reviews and determined that the chairmanship of Dato' Dr Yu Kuan Chon, DIMP., PPT, MBBS remains based on the following justifications and aspects contributed by Dato' Dr Yu Kuan Chon, DIMP, PPT, MBBS, as a member of the Board:
 - His vast experience in managing the operations of the Group's property investments, property development, constructions and hotel enable him to provide the Board with a diverse set of experience, expertise and skills to better manage and run the Group.
 - He has exercised his due care in the interest of the Company and shareholders during his tenure as an Executive Chairman of the Company.
 - He has provided objectivity in decision making and ensured effective check and balance in the proceedings of the Board.

CORPORATE GOVERNANCE STATEMENT (cont'd)

14. Compliance with the Code (cont'd)

- b) The tenure of an independent director should not exceed a cumulative term of 9 years. However, the Nomination Committee and Board have determined at the annual assessment carried out that Dato' Robert Lim @ Lim Git Hooi, DPMP, JP and Ching Nye Mi @ Chieng Ngie Chay, who has served on the Board for more than 9 years, remain objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committee. The length of their service on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interest of the Company. Dato' Robert Lim @ Lim Git Hooi, DPMP, JP and Ching Nye Mi @ Chieng Ngie Chay have been demonstrably independent in carrying out their roles as Members of the Board and Board Committees.

Dato' Robert Lim @ Lim Git Hooi, DPMP, JP has also notably fulfilled his roles as Chairman of the Audit Committee

The Board has also determined not to seek shareholders' approval and retained Dato' Robert Lim @ Lim Git Hooi, DPMP, JP and Ching Nye Mi @ Chieng Ngie Chay to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

- (a) Dato' Robert Lim @ Lim Git Hooi, DPMP, JP
- i) He fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and thus he would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.
 - ii) His vast experience in accountancy, taxation and financial consultancy enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
 - iii) He has performed his duty diligently and in the best interest of the Company as required by the Code as an Independent Director and provides a broader view, independent and balanced assessment of proposals from the management.
- (b) Ching Nye Mi @ Chieng Ngie Chay
- i) He fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and thus he would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.
 - ii) His vast experience in banking industry enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
 - iii) He has performed his duty diligently and in the best interest of the Company as required by the Code as an Independent Director and provides a broader view, independent and balanced assessment of proposals from the management.
- c) Disclosure of Directors' remuneration is not made in detail for each Director. However, the remuneration paid are categorised into the appropriate components and , in compliance with the Bursa Securities Listing Requirements, analyzed in bands of RM50,000 and RM500,000.