CORPORATE GOVERNANCE REPORT

STOCK CODE	**:**	5169
COMPANY NAME	**:**	HO HUP CONSTRUCTION COMPANY BERHAD
FINANCIAL YEAR	**:**	December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE
Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA
Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	The roles and responsibilities of the Board of Directors ("Board") are set out in the Board Charter and the Board Committees' functions are set out in each respective Board Committees' Terms of Reference ("TOR"). In Ho Hup, the Company is headed by the Board where they assumes their responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company. At the beginning of the year, the respective heads of the business division formulates and proposes a strategic business plan which will be discussed with the CEO which later be incorporated into the Group budget. The Group budget and cash flow projections are then presented to the Board for discussion and approval. Quarterly, the performance of the financial results will be examined by the Audit Committee and subsequently reviewed by the Board against the Group's preceding performance, the Board also comments on improvements and changes needed to ensure that the necessary resources are in place for the company to meet its objectives. The Management performances were also evaluated based on efforts taken to ensure sustainability in the Group's business operations. The Management prepares a quarterly risk management report to the Board where the Board acts to evaluate the effectiveness and review the performance of the risk mitigating actions taken. Based on the report, the Board also provides their recommendations and advise to continuously mitigate risk and improve risk management efforts within the organisation. The Board also promotes good corporate governance culture by ensuring critical policies and procedures are in place and updated with the evolving business compliance and requirements. An Anti-Bribery and Anti-Corruption Manual was put in place and staff trainings and

	briefing were conducted to all levels of the organisation during the year. In addition, adequate procedures were in place Group wide to prevent and protect against corruption practices. Lastly, the Board also leads the role of ensuring integrity in Group corporate reporting on both financial and non-financial information to harness a meaningful communication relationship with stakeholders.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	The role of the Chairman of the Board is set out in the Board Charter. The Chairman engages with Board members and Management to ensure that the Board can perform its responsibilities effectively. The Chairman leads the Nomination Committee ("NC") and Board in the monitoring of corporate governance practices, including the systems and procedures and regular updates and tracking of corporate governance compliance with Malaysian Code On Corporate Governance ("MCCG"). In addition, the Chairman leads Board meetings and discussions by encouraging active participation and allowing dissenting views to be freely expressed during Board deliberations. At the end of each Agenda item the Chairman summarises the views, consensus, position, and decision taken by the Board.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	The positions of the Chairman and CEO are held by two different individuals. The Board Charter of Ho Hup provides that the Chairman should be held by a Senior Independent Non-Executive Director. The role of Chairman is distinguished from that of the CEO's roles with clear division of responsibilities as outlined in the Board Charter. Our Board Charter is available at Ho Hup's website at www.hohupgroup.com.my. The Chairman is primarily responsible for the orderly conduct and function of the Board as well as ensuring effectiveness thereof. The CEO has delegated authority from the Board and is accountable to the Board in managing the day-to-day affairs of Ho Hup Group's business, implementing the approved policies by the Board. The CEO is empowered to make decisions for operational matters defined in the Discretionary Authority Limits mandate approved by the Board. In managing the business affairs, the CEO is assisted by the Management of Ho Hup Group.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	The Company Secretaries plays an advisory role to the Board on matters pertaining to compliance of procedures, rules and regulatory requirements. The Company Secretaries attends all Board and Board Committees' Meeting and ensures that all meetings are convened in accordance with Board procedures and TOR of the relevant Board Committees. Deliberations on issues discussed and decisions made at meetings, are properly recorded and kept. Both Company Secretaries of the Company are qualified to act as Company Secretary pursuant to Section 235 and Section 236(3) of Companies Act 2016. The responsibilities of the Company Secretary have been specified in the Board Charter. The Company Secretaries constantly keep themselves abreast of the evolving statutory and regulatory requirements through continuous training. The Management also conducts an annual evaluation on the performance of the Company Secretaries and ensures that the candidates are suitable to resume their role and responsibilities as Company Secretaries. The evaluation covers performance in 3 key areas, corporate governance advisory, compliance advisory and the ordinary responsibilities of a Company Secretary. Overall the performances of the Company Secretaries were satisfactory.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	Timely circulation of Notice of Meetings together with the agenda and meeting packs comprising agenda items, reports and papers are circulated to Board members prior to meetings to allow reasonable time for Board members to view prior to the Board meeting. This allows the Board to have sufficient time to read, get clarifications and to provide recommendations for the meeting. The Directors are provided with full and timely information which enables them to discharge their responsibilities. Prior to each Board Meeting, the agenda together with the detailed reports and supplementary papers are circulated to the Directors in advance. This is to enable the Directors to obtain further explanations, where necessary, to be adequately informed before the meeting. The completed reports and supplementary papers will be circulated electronically via email at least 5 days prior to the meeting. When printed documents are ready, it shall be sent by parcel to the respective directors upon their request. Minutes of a Directors' meeting would be distributed to all Board members on a timely basis for review and thereafter for confirmation at the next Board meeting. The signed Board minutes are entered in Minutes books kept by the Company Secretaries at the registered office.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application :	Applied	
Explanation on application of the practice :	The Company's Board Charter is subject to review from time to time to ensure the Company remains at the forefront of best practices in Corporate Governance. • The Board Charter is publicly made available on the Company's website at www.hohupgroup.com.my • The roles and responsibilities of the Board, Chairman, Executive Directors and Company Secretaries are set out in the Company's Board Charter.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The Board consistently strives to set the "tone at the top" and instil ethical values and standards across every level of the Group. In this regard, the Company has put in place a Code of Conduct which subject Directors, Management and Employee to a set of values and standards of conduct that is expected of them. The Code of Conduct serves as a formal commitment by employees to conduct themselves professionally at all times and to do business in a transparent, appropriate and fair manner. The Code of Conduct is available on the Group's website at www.hohupgroup.com.my The Code of Conduct covers the following salient areas: • Conducting business ethically, fairly and with honesty; • Complying with laws including stressing on abuse of power, corruption, insider trading and money laundering; • Providing quality and safe products; • Protecting the Group's assets and information; • Maintaining complete and accurate business records; and • Respecting others in the workplace and society. All employees of the Group are required to acknowledge that they have received, read and understood the provisions of the Code of Conduct. The Board reviews the Code of Conduct periodically or as and when the need arises to ensure it is kept contemporaneous. Based on the listing requirements to prevent corruption, details regarding Section 17A on Corporate Liability were added to the Code of Conduct of the Group. Furthermore, the Anti-Bribery and Anti-Corruption Manual were in place with trainings and briefings conducted to all level of the organisation to create awareness preventing against corruption. The Board also ensures adequate procedures are in place to govern against corruption practices.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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

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

Practice 3.2
The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	The Group is committed in preserving and protecting the interest and reputation at all times. In this respect, the Whistleblowing Policy was established and subsequently reviewed and updated when required. The main objective of the Whistleblowing Policy is to provide an objective point of escalation for employees or stakeholders to disclose in a bona fide manner any suspected acts of wrongdoings without any fear of reprisal. The Whistleblowing Policy provides guidelines for the reporting and the investigation of any wrongdoings. Such misconducts may be reported in writing directly to a dedicated e-mail address, namely, sulongmatjeraie@gmail.com The other channels for whistleblowing can be accessed at the Group's website, www.hohupgroup.com.my The Board together with Management, reviews the Whistleblowing Policy periodically or as and when the need arises to ensure it is kept contemporaneous. Throughout 2019, there were no whistleblowing report received.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

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

Practice 4.1
At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board comprises of 9 members, 3 of whom are Independent Directors' including the Chairman. The composition of the Board is one third of the Board is independent in accordance with Para 15.02 of the Listing Requirements. The Board has in place the AC, NC and RC guided with clear TOR to assist the Board in the deliberations and recommendations as a check and balance. The members of the AC comprise wholly of Independent Non-Executive Directors, while the NC and RC have at least half formed with Independent Non-Executive Directors, with the participation of a majority Independent Non-Executive Directors supports a better objective oversight function to the Board. Several of our Directors, although they are Non-Independent and Non-Executive, are experienced and their willingness to challenge the Management with questions without apprehension and debate constructively during Board meetings helps to reinforce the check and balance of Board's decision making process. Hence currently, the lack of majority Independent Directors in terms of delivering 50% of the Board composition does not jeopardise independence of the Board in their deliberations and all decisions are made in the best interests of the Company. The NC has assessed the Board composition and acknowledged that the current size and composition of Directors will need to be reviewed to provide a balance mix of skills and experience, as well as the objectivity required in the boardroom. The Board is mindful of the recommendation of the MCCG that the Board must comprise at least half of independent directors.

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	The Board will continuously identify potential candidates who are Independent to be interviewed to fulfil the requirements of MCCG.	
Timeframe	:		

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

Practice 4.2
The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

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

Application :	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
Explanation on application of the practice :	At the forthcoming AGM, the Board is seeking shareholders' approval for Mr. Chow Seck Kai as the Independent Non-Executive Director of the Board. Mr. Chow had served as an Independent Non-Executive Director of the Company since 17 March 2010, thus exceeding a cumulative term of more than nine years. The Board, through the NC had conducted an assessment of the independence of Mr. Chow and affirmed that he demonstrated complete independence in character and judgement both as Board member and in his role as Board Committees' member. Mr. Chow has good understanding of the business of the Company and with his knowledge and experience would continue to provide invaluable contribution to the Board. The Board (without the participation of Mr. Chow) therefore recommended that Mr. Chow to continue to act as an Independent Director of the Company for shareholders' approval at the 46th AGM.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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

Practice 4.3 - Step Up
The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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

Practice 4.4
Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level. Having a range of diversity dimensions brings different perspectives to the boardroom and to various levels of Management within the Group. The NC is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations. In this respect, the role of the NC is detailed in its TOR, which is accessible for reference on the Group's website at http://www.hohupgroup.com.my In making its recommendations to the Board, the NC considers and assess the suitability of a new appointment based on objective criteria, including: • Qualification; • Required competencies, skills, expertise and experience; • Specialist knowledge or technical skills; • Professionalism and integrity; and • Time commitment to the Company
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

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

Practice 4.5
The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied	
Explanation on application of the practice	:	Currently only one female director is available on the Board. The Board, through the NC, is actively scouting for an additional female director as a step to meet the target of at least 30% women directors for Large Companies. Although Ho Hup is not considered in the definition of Large Companies by MCCG, the Board is still considered it as a target to be achieved over five (5) years period. The Board is putting its efforts in getting other suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age and cultural background to join the Board. The Board would consider sourcing new directors via different Directors recruitment agencies.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:	Within 5 years	

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

Practice 4.6
In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	The NC is responsible for recommending suitable candidates for Directorships to the Board. In undertaking this responsibility, the NC leverages on several sources to "cast a wider net" and gain access to a wide pool of potential candidates. The responsibilities of the NC in this regard are outlined in its TOR. In evaluating potential candidates, the NC will assess directorship suitability based on objective criteria, including: • Qualification; • Required competencies, skills, expertise and experience; • Specialist knowledge or technical skills; • Professionalism and integrity; and • Time commitment to the Company. In searching for suitable candidates, the NC may receive suggestions from existing Board Members, Management, and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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

Practice 4.7
The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The NC is chaired by Tan Sri Datuk Seri Panglima Sulong Matjeraie, who is the Senior Independent Non-Executive Director	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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

Practice 5.1
The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

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

Application	:	Applied	
Explanation on application of the practice	:	The NC is responsible for the Board Effectiveness Evaluation (BEE) process, covering the Board, Board Committees and individual Directors, including Independent Directors. The NC, upon conclusion of the BEE exercise, was satisfied that the Board and Board Committee composition had fulfilled the criteria required, possess a right blend of knowledge, experience and the appropriate mix of skills. In addition, there was mutual respect amongst individual Directors which contributed to a healthy environment for constructive deliberation and robust decision-making process. Independent Directors were assessed to be objective in exercising their judgment. The BEE for the year 2019 was conducted internally, facilitated by the Company Secretaries. The BEE was conducted using questionnaires that were administered by the Company Secretaries which employ a self and peer rating assessment model.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	The Company has in place a remuneration framework and procedures to determine the remuneration of the Directors and Senior Management of the Company. This framework is designed to attract and retain the right talent at the Board and Senior Management to drive the Group's long-term objectives. The 'Policies and Procedures for the Remuneration of Directors and Senior Management' ("the framework") is periodically reviewed by the Remuneration Committee ("RC") and is made available on the Company's website. This framework is designed to ensure the remunerations are appropriately reflective of the right experience and the level of responsibilities and contributions of the candidate; as well as being competitive compared with the prevalent market practices. Each of the candidates is abstained from deliberating and voting on their own remuneration to ensure independence in evaluation. The Board collectively determines the remuneration for both Directors and Senior Management based on the recommendation of the NC and RC. The performance of the Director and Senior Management is reviewed annually taking into consideration the corporate and individual performance. The Executive Directors is not entitled to the annual fee or allowance nor are they entitled to receive any meeting allowances for the Board and Board Committees Meetings they attends. The remuneration details for all the Directors of the Company are disclosed in the Statement on Corporate Governance in the Annual Report 2019.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		

Measure	:		
Timeframe	:		

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

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

Practice 6.2
The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has in a place a RC which comprising Non-Executive Directors. The RC discharges its responsibilities in accordance with its TOR, among others, reviewing the remuneration packages, reward structure and fringe benefits applicable to the Board; and making the appropriate recommendations to the Board. The TOR of RC is accessible for reference on the Group's website at http://www.hohupgroup.com.my	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

<table>
<tr><td>Application :</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td>The detailed disclosure on named basis for the remuneration of individual directors, including fees, salary, bonus, benefits in-kind and other emoluments are presented in the table below:

<table>
<tr><th>Name</th><th>Directors' fees
(RM'000)</th><th>Meeting and other Allowances
(RM'000)</th><th>Salaries and other emoluments
(RM'000)</th><th>Benefits-in-kind
(RM'000)</th><th>Total
(RM'000)</th></tr>
<tr><td>Tan Sri Datuk Seri Panglima Sulong Matjeraie</td><td>100</td><td>10.5</td><td></td><td>30</td><td>137.5</td></tr>
<tr><td>Dato' Mah Siew Kwok</td><td>90</td><td>3.5</td><td></td><td>25</td><td>118.5</td></tr>
<tr><td>Dato' Sri Thong Kok Khee</td><td>60</td><td>4.5</td><td></td><td></td><td>64</td></tr>
<tr><td>Datin Chan Bee Leng</td><td>50</td><td>2.5</td><td></td><td></td><td>53</td></tr>
<tr><td>Mr Boey Tak Kong</td><td>60</td><td>7.5</td><td></td><td></td><td>68</td></tr>
<tr><td>Mr Chow Seck Kai</td><td>50</td><td>6</td><td></td><td></td><td>56</td></tr>
<tr><td>Mr Low Kheng Lun</td><td>50</td><td>3</td><td></td><td></td><td>53</td></tr>
<tr><td>Dato' Wong Kit-Leong</td><td></td><td></td><td>1169</td><td>40</td><td>1209</td></tr>
<tr><td>Dato' Wong Gian Kui</td><td></td><td></td><td>221</td><td></td><td>221</td></tr>
</table>

The same table is also included in the Corporate Governance Overview Statement in Annual Report 2019.</td></tr>
<tr><td>Explanation for departure :</td><td></td></tr>
<tr><td></td><td></td></tr>
</table>

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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

Practice 7.2
The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<table>
<tr><td>Application :</td><td>Departure</td></tr>
<tr><td>Explanation on application of the practice :</td><td></td></tr>
<tr><td>Explanation for departure :</td><td>The Board is of the view that the disclosure on a named basis for the remuneration of top five senior management personnel is not in the best interest of the Group given the competitive human resource environment for personnel with requisite knowledge, expertise and experience in the Company's business activities, where poaching by recruitment service provider has become common now.

The Board believes that the non-disclosure of remuneration of top 5 senior management personnel on named basis who are not Directors of the Company will not prejudice the interest of its shareholders.</td></tr>
<tr><td></td><td>As an alternative, the Company has disclosed the remuneration of its top five (5) senior management personnel in the band of RM50,000 but depart from disclosing on a named basis.

The top 5 key senior management remuneration in band of RM50,000 are as follows:

<table>
<tr><th>Range of Remuneration (in band of RM 50,000)</th><th>Number of Key Senior Management</th></tr>
<tr><td>RM 650,001 to RM 700,000</td><td>2</td></tr>
<tr><td>RM 600,001 to RM 650,000</td><td>-</td></tr>
<tr><td>RM 550,001 to RM 600,000</td><td>1</td></tr>
<tr><td>RM 500,001 to RM 550,000</td><td>-</td></tr>
<tr><td>RM 450,001 to RM 500,000</td><td>2</td></tr>
</table>

The same table is disclosed in the Annual Report 2019.</td></tr>
</table>

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
There is an effective and independent Audit Committee.

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

Practice 8.1
The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee ("AC") is chaired by an Independent Non-Executive Director, Mr. Boey Tak Kong. Meanwhile, the Chairman of the Board is Tan Seri Datuk Seri Panglima Sulong Matjeraie, the Senior Independent Non-Executive Director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

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

Practice 8.2
The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied
Explanation on application of the practice	:	None of the members of AC were former key audit partners of any external audit firms within the cooling off period of two (2) years before appointed as a member of AC. The Board has in place the updated TOR of AC which includes the requirement that any former key audit partner shall have a cooling-off period of at least two (2) years before being appointed as a member of the AC which is aligned with requirements of the MCCG. The TOR of AC is made available at the Group's website at http://www.hohupgroup.com.my.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome
There is an effective and independent Audit Committee.

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

Practice 8.3
The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	The AC is responsible for assessing the capabilities and independence of the external auditors and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the External Auditors. Under its TOR, the AC reviews the suitability, objectivity and independence of the External Auditors of the Company on an annual basis. The review process covers the assessment of the independence of the External Auditor, the evaluation of the performance of External Auditor, quality of work, audit fees and the adequacy of resources. During the financial year, the AC met with the External Auditors, Messrs. UHY, twice during the year in the absence of Management. The AC also monitored and reviewed the performance and independence of Messrs. UHY and is satisfied that the External Auditors have been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the AC. For the audit of the financial year ended 31 December 2019, the AC was further assured by Messrs. UHY by way of written confirmation that its personnel were and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Pursuant to the assessment on the suitability and independence of the External Auditor, the AC made its recommendation to the Board on the re-appointment on the external auditors alongside the accompanying audit fees.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		

Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up
The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The AC comprises wholly of Independent Non-Executive Directors.

Intended Outcome
There is an effective and independent Audit Committee.

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

Practice 8.5
Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

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

Application	:	Applied	
Explanation on application of the practice	:	The members of AC possess a wide range of necessary skills and expertise in relevant accounting, financial service industry and legal to discharge their duties and provide an effective level of challenge to the Management. The AC Chairman is a Chartered Accountant of the Malaysia Institute of Accountants (MIA). All members of the AC have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. During the reporting year, the AC members had attended training courses, details are set out in the Corporate Governance Overview Statement of the Company's Annual Report 2019 Based on the outcome of the performance assessment on the AC, both the NC and the Board are satisfied with the performance of the AC.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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

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

Practice 9.1
The board should establish an effective risk management and internal control framework.

Application	:	Applied	
Explanation on application of the practice	:	The Board has established the necessary risk and internal control infrastructure encompassing the risk assessment process, internal control measures, organisational oversight and reporting function to instil the appropriate discipline to continuously improve risk management and internal control capabilities. Details of the Group's Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control of the Company's Annual Report 2019. The internal control mechanisms established by the Board are embedded within the organisation structure in all its processes.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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

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

Practice 9.2
The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	Risk assessment, monitoring and review of the various risks faced by the Group are continuous processes within the key operating units, with the Risk Management Committee (a Management-level Committee) playing a pivotal oversight function as delegated by the Board of Directors. The Board has further received assurance from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively. Further details are contained in the Statement of Risk Management and Internal Control in the Company's Annual Report 2019.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

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

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

Practice 9.3 - Step Up
The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not Adopted
Explanation on adoption of the practice	:	There is a Management's Risk Management Committee that reports to the Board

Intended Outcome

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

Practice 10.1

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

Application :	Applied	
Explanation on application of the practice :	The Group's internal audit function is outsourced to an external consultant to assist the AC and Board in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's governance, risk management and internal control processes. The AC conducts an evaluation annually to review the effectiveness and independence of the internal audit function. The review evaluates if the internal audit function demonstrates achievement of the Core Principles stated in the Professional Practice of internal auditing described in the Guidance for an Effective Internal Audit Function published by the Institute of Internal Auditors Malaysia. Overall review of the internal audit function is satisfactory and adequate.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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

Practice 10.2
The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	The AC is supported by the Internal Audit team, which has been outsourced to Galton Advisory PLT. The Internal Audit team from Galton Advisory PLT is headed by Mr. Low Chiun Yik, an Executive Partner of the Firm. He has a Master's Degree in Accountancy and Finance, and has been specialising in the field of internal audit and risk management since 2010. The Internal Auditors are free from any relationships or conflict of interest or undue influence of others to override professional and business judgment, which could impair their objectivity and independence. The independence of the Internal Audit function is derived from its direct reporting and unencumbered access to the AC. The Internal Auditors have adequate resources to carry out their audit activities. During the financial year under review, the Internal Auditors in teams of three (3) had conducted two (2) cycles of Internal Audit as stipulated in the approved Internal Audit Strategy Plan. Scheduled Internal Audit reviews were carried out by the Internal Auditors based on the audit plans presented and approved by the AC. The Internal Auditors adopt a risk-based Internal Audit methodology, which is guided by the International Professional Practices Framework issued by The Institute of Internal Auditors. Further details of the Company's Internal Audit function are contained in the Statement on Risk Management & Internal Control, Audit Committee Report and Corporate Governance Overview Statement as set out in the Annual Report.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	The Board recognises the importance of communication and proper dissemination of information to its shareholders and investors. Through extensive disclosures of appropriate and relevant information, the Company aims to effectively provide shareholders and investors with information to fulfil transparency and accountability. In this respect, the Company keeps shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders. The AGM is the main forum of dialogue with shareholders as it provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance. Shareholders and members of the public may also obtain information on the Group's operations and activities, as well as press releases, announcements and financial information, etc. from the corporate website www.hohupgroup.com.my.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

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

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

Practice 11.2
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company views integrated reporting as a larger term plan to provide better in-sights and clarity in reporting. With the integrated reporting just being introduced into the current market especially for large company, the Company has embarked on a plan to transition this process and will concentrate on sustainability reporting currently. The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information including future prospects. Components such as Management and Discussion Analysis, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control form an integral part of the non-financial information and will from this year onwards incorporate Sustainability Reporting. Once the level of maturity of non-financial reporting practices is adequate and able to comply with global recognised integrated reporting standards, the Company will implement this as soon as it is practicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	Developing the resources to manage and monitor both financial and non-financial information.
Timeframe	:	Within 3 years

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

Practice 12.1
Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Due to COVID-19 outbreak, the Government has implemented the Movement Control Order ("MCO") and Conditional MCO ("CMCO") issued under the Prevention and Control of Infectious Diseases Act 1988. As a result, the Company requires more time to prepare its financial statements and to enable the auditors to complete the audits. Therefore, the Company decide to issue its notice of AGM and the Annual Return at least twenty-one (21) days prior to the AGM, of which in accordance with the Regulation 61A of the Company's Constitution and Section 316(2) of the Companies Act 2016.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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

Practice 12.2
All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application :	Applied	
Explanation on application of the practice :	The annual meeting calendar was prepared and circulated to Directors prior to the commencement of a new financial year in order for the Directors to lock-in dates of AGM, Board and Board Committees meetings. During the AGM, the Chairman also invited shareholders to raise any questions pertaining to the Company's Financial Statements and other agenda items, before putting the resolution to vote. The Chairman of the AC, NC and RC are present during the AGM to address any questions posted by the shareholders. In addition to the above, the Executive Directors, members of the Senior Management and External Auditors of the Company are present to the AGM and have gave their responds to the shareholders' queries.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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

Practice 12.3
Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

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

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	The Company is of the view that the above practice is not cost effective nor practical for the Company to leverage on technology to facilitate shareholders to vote in absentia or having remote shareholders' participation in general meetings. In the event the shareholders are not able to attend the forthcoming 46th AGM, the shareholders are allowed to appoint a proxy or proxies to attend on their behalf. Company utilises an electronic voting system to expedite the voting and facilitate the tabulation process in a seamless manner. The Chairman announced the poll voting results after the same has been verified by the appointed Independent Scrutineer. Poll results are announced to Bursa Securities on the same day.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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

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

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