

The Board of Directors (“Board”) of Ho Hup Construction Company Berhad (“Ho Hup” or “the Company”) would like to take this opportunity to present this Statement to provide stakeholders and investors with an overview of the Corporate Governance (“CG”) practices of the Company during the financial year ended 31 December 2021 (“FYE2021”). This overview takes guidance from the key corporate governance principles as set out in the Malaysian Code of Corporate Governance 2021 (“MCCG”).

This statement is prepared in compliance with Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”), pursuant to Paragraph 15.25(1) and to be read together with the Corporate Governance Report (“CG Report”) of the Company which is accessible on the Company’s website at [www.hohupgroup.com.my](http://www.hohupgroup.com.my) and via announcement on Bursa Securities’ website.

This Statement is to provide shareholders and other stakeholders with an overview of the Group’s application of the following three (3) Principles set out in the MCCG published in April 2021.

(a) Principle A : Board Leadership and Effectiveness;

(b) Principle B : Effective Audit and Risk Management; and

(c) Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

As at FYE2021, the Company’s market capitalisation is valued at RM150.9 million, which is below the threshold status of the Large Company. However, the Company wishes to adopt Step-up Practice 9.4 to strengthen its control environment processes, whereby the Audit Committee comprises wholly of Independent Non-Executive Directors.

In FYE2021, the Board considers that the Company and its subsidiaries have adequately complied with the provisions and recommendations of the MCCG for the entire duration of FYE2021, except for the recommended practices below: -

- 1) At least half of the Board comprises Independent Directors. For Large Companies, the Board comprises majority Independent Directors;
- 2) 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;
- 3) Establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company’s risk management framework and policies;
- 4) The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee;
- 5) The board comprises at least 30% women directors; and
- 6) Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

During the year, the Board considers that the Company has complied with the provisions and applied the main principles of the MCCG, for the whole FYE2021 except for some of the recommended Practices. In the CG Report, the explanations for departures of the following MCCG Practices were clearly elaborated with some alternative approach applied and adopted. Besides, the Board also indicates the related measures that the Company has taken or intend to take to adopt the recommended practices.

## **PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS**

### **Board Charter and Board Committees**

The Board takes full responsibility for the performance of the Group and guides the Group towards achieving its short and long-term objectives, setting corporate strategies for growth and providing advice and direction to the Management to enable the Group to attain its long-term goals and objectives.

Accordingly, the Board is mindful of the importance of clear roles and responsibilities in discharging its fiduciary and leadership functions with care and diligence. The Board has approved and updated the Board Charter and Schedule of Matters reserved for the Board's approval to reinforce the governance framework. The Board Charter and Schedule of Matters were reviewed and published in the Company's website at [www.hohupgroup.com.my](http://www.hohupgroup.com.my).

The Board continues to adopt and undertake projects that are only aligned with the risk management framework and monitoring the financial and non-financial risks. The Board has established four (4) Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Executive Committee that are delegated with specific responsibilities as defined under their respective Terms of Reference to assist the Board in carrying out its duties. These Board Committees have the authority to examine particular issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.

### **Board Composition**

The Board comprises members who have vast experience in the construction and property development industry as well as professionals in the legal, finance and consulting sectors. A brief profile of each Director is presented on pages 8 to 12 of this Annual Report.

The roles of the Chairman and Chief Executive Officer ("CEO") remain separate and distinct roles. The Chairman of the Board is a Senior Independent Non-Executive Director and who ensures smooth functioning of the Board to effectively meet the goals and objectives of the Group and the Company.

The Board delegates the authority and responsibility of managing the day-to-day affairs of the Group to the CEO, and through him and subject to his oversight, to other Senior Management. The Board monitors the performance of the CEO on behalf of the shareholders.

The Board currently has eight (8) members comprising one (1) Senior Independent Non-Executive Director, two (2) Independent Non-Executive Directors and six (5) Non-Independent Directors, of which two (2) are Executive Directors. The Independent Non-Executive Directors provide the necessary checks and balances on the decision-making process of the Board. Their role is to challenge the management and the Board in an effective and constructive manner and provide justified and sound opinions to the Board of Directors.

All the Directors have given their undertaking to comply with the MMLR and the Independent Directors have confirmed their independence in writing.

### **Company Secretaries**

The Board is supported by qualified and competent Company Secretaries who advise the Board particularly with regards to compliance with regulatory requirements, guidelines, legislations and the principles of best corporate governance practices. All Directors have unrestricted access to the advice and services of the Company Secretaries. The appointment and removal of Company Secretaries or Secretaries of the Board Committees can only be made by the Board.

The Board ensures that each Director is provided with timely notices and Board papers are issued prior to the Board meetings to enable the Directors to review and consider the agenda items to be discussed including and where necessary, to obtain further explanations in order to be fully briefed before the meeting.

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****Company Secretaries (Cont'd)**

The Company Secretaries ensure that all Board and Board Committee meetings are properly convened and to ensure that accurate and proper records of the proceedings and resolutions passed are recorded and minutes are circulated to the Board members as soon as possible before the next meetings.

The Company Secretaries also serve closed period notices to Directors and Senior Management for trading in the Company's shares and briefs the Board on the content and timing of material announcements to Bursa Securities.

The Company Secretaries also facilitate communication of key decisions and policies between the Board, Board Committees and Senior Management.

**Board Diversity**

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of the MCCG pertaining to the establishment of a gender diversity policy. The Board recognises the need to enhance boardroom diversity which is not only about diversification in terms of gender, but in terms of age, ethnicity and social backgrounds. Hence, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender. The Board will strive to encourage a dynamic and diverse composition of the Board by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. Currently only one (1) female director is serving the Board. The Board, through the NC, will be scouting for additional female directors as a step to meet the target of at least 30% women directors.

The diversity of the Board as at 31 December 2021 is as follows:

	Male	Female
<b>Age Group</b>		
31-40	1	–
41-50	1	–
51-60	–	–
61-70	3	1
71-80	1	–
	Male	Female
<b>Ethnicity</b>		
Malay	1	–
Chinese	5	1
<b>Nationality</b>		
Malaysian	6	1
Foreigner	–	–

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**Information and Support for Directors**

The Board meets at least once every quarter and additional meetings are convened as and when necessary. During the FYE2021, five (5) Board meetings were held. The record of attendance of the Board and Board Committees are as follows:-

	<b>Board</b>	<b>Audit</b>	<b>Remuneration</b>	<b>Nomination</b>
Number of meetings held in the year	5	5	1	1
<b>Executive Directors</b>				
Dato' Wong Kit-Leong	5/5	-	-	-
Dato' Wong Gian Kui	5/5	-	-	-
<b>Non-Executive Directors</b>				
Tan Sri Datuk Seri Panglima Sulong Matjeraie	5/5	5/5	1/1	1/1
Dato' Sri Thong Kok Khee	4/5	-	1/1	-
Datin Chan Bee Leng	5/5	-	-	-
Mr. Chow Seck Kai	5/5	5/5	1/1	1/1
Mr. Low Kheng Lun	5/5	-	-	-
Dato' Mah Siew Kwok (retired on 31 May 2021)	3/3	-	1/1	1/1
Mr. Boey Tak Kong (demised on 14 October 2021)	4/4	4/4	-	-
Mr. Thevanaigam Rajan Chitty (appointed on 23 March 2022)	N/A	N/A	N/A	N/A

All Directors have complied with the minimum requirements on attendance at Board meetings as stipulated in the MMLR of Bursa Securities (minimum 50% attendance).

**Nomination Committee ("NC")**

The NC comprises entirely of INEDs. The NC shall meet at least once a year or as and when deemed fit and necessary. The summary of the NC activities for the year is found in page 51.

A Senior INED was appointed as the Chairman of the NC. The Chairman of NC is to lead the succession planning and appointment of Board members, including the future Chairman and CEO; and conducts the annual review of Board effectiveness assessment and to ensure each individual Director is independently assessed.

The NC annually performs Board self-evaluation to evaluate the performance of the Board, Board Committees and individual Directors, in order to verify that the Board is operating effectively and efficiently as a whole. Each Director completed a detailed questionnaire on the Directors' Performance Evaluation which covered matters relevant to the Board performance, among other thing, contribution to Board deliberations, quality of inputs, understanding of the role and personal development. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Terms of Reference. The assessment was internally facilitated, whereby the results of the assessments were compiled, documented and reported to the Board accordingly.

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****Nomination Committee ("NC") (Cont'd)**

Based on the assessment carried out during the financial year, the NC concluded the following:-

- a) The Board was found to be competent and had a dynamic and balanced mix of skills with the necessary experience wherein the Directors were able to contribute effectively to the Board's decision-making process.
- b) The current structure, size and composition of the Board, which comprises people who possess a wide range of expertise and experience in various fields with diverse backgrounds and specialisations, would enable the Board to lead and manage the Company effectively.
- c) The Directors discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors.
- d) The Board Chairman provided leadership and guidance to the Board.
- e) The performance of the Board Committees was found to be effective.

In accordance with the Company's Constitution, all Directors including Directors holding an executive position of Chief Executive Officer or Executive Director, if any, shall retire from office at each Annual General Meeting, provided always that every Director shall retire at least once every three (3) years. The retiring Directors shall be eligible to offer themselves for re-election. Directors who are appointed by the Board during the financial year shall hold office until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The number of Directorships held by the Directors is stated in the Profile of Directors in the Annual Report.

**Remuneration Committee ("RC")**

The RC comprises wholly of NEDs. The RC shall recommend to the Board on the remuneration and entitlements of all Directors (including NED) and Senior Management. The Board will decide on the suitability of the Remunerations based on the recommendations of the RC. The approval for Directors' remuneration rests with the Board as a whole with the Directors abstaining from voting and deliberating on decisions in respect of their own remuneration package.

The RC primary roles and responsibilities are clearly defined and include the following:-

- a) To recommend to the Board a framework for remuneration for the Board and each Executive Director, which includes but is not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and
- b) To establish objective performance criteria measurement to evaluate the performance and effectiveness of the Board as a whole and to assess the contribution by each individual Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT  
(CONT'D)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**Remuneration Committee ("RC") (Cont'd)**

The details of the aggregate remuneration (including benefits-in-kind) of the Directors of the Company for the FYE2021 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>FYE 2021</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Executive Directors' Remuneration</b>				
<b>Directors of Company</b>				
Salaries and Other Emoluments	806	1,035	806	1,035
Defined Contribution Plan	111	138	111	138
Benefits-in-kind	49	35	49	35
<b>Total</b>	<b>966</b>	<b>1,208</b>	<b>966</b>	<b>1,208</b>
<b>Directors of Subsidiaries</b>				
Salaries and Other Emoluments	804	1,113	–	–
Defined Contribution Plan	93	104	–	–
Benefits-in-kind	21	40	–	–
<b>Total</b>	<b>918</b>	<b>1,257</b>	<b>–</b>	<b>–</b>
<b>Total Executive Directors' Remuneration</b>	<b>1,884</b>	<b>2,465</b>	<b>966</b>	<b>1,208</b>
<b>(ii) Non-Executive Director's Remuneration</b>				
<b>Directors of Company</b>				
Fees	330	330	330	330
Meeting and Other Allowances	32	32	32	32
Benefits-in-kind	–	–	–	–
<b>Total</b>	<b>362</b>	<b>362</b>	<b>362</b>	<b>362</b>
<b>Directors of Subsidiaries</b>				
Other Allowances	58	58	–	–
<b>Total</b>	<b>58</b>	<b>58</b>	<b>–</b>	<b>–</b>
<b>Total Non-Executive Directors' Remuneration</b>	<b>420</b>	<b>420</b>	<b>362</b>	<b>362</b>
<b>Total Executive and Non-Executive Directors' Remuneration (i &amp; ii)</b>	<b>2,304</b>	<b>2,885</b>	<b>1,328</b>	<b>1,570</b>

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****Remuneration Committee (“RC”) (Cont'd)**

The details of the aggregate remuneration (including benefits-in-kind) of the Directors of the Company for the FYE2021 are as follows: (Cont'd)

Name	Directors' Fees (RM'000)	Meeting and Other Allowances (RM'000)	Salaries and Other Emoluments (RM'000)	Defined Contribution Plan (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Tan Sri Datuk Seri Panglima Sulong Matjeraie	60.0	8.5	–	–	–	68.5
Dato' Mah Siew Kwok (retired on 31 May 2021)	54.0	3.5	–	–	–	57.5
Dato' Sri Thong Kok Khee	48.0	3.0	–	–	–	51.0
Datin Chan Bee Leng	40.0	2.5	–	–	–	42.5
Mr. Boey Tak Kong (demised on 14 October 2021)	48.0	6.5	–	–	–	54.5
Mr. Chow Seck Kai	40.0	5.5	–	–	–	45.5
Mr. Low Kheng Lun	40.0	2.5	–	–	–	42.5
Dato' Wong Kit-Leong	–	–	705.4	106.8	49.3	861.5
Dato' Wong Gian Kui	–	–	100.8	4.6	–	105.4

The proposed fees and remuneration for the Directors of the Board and Board Committees for the financial year 2022 are as follows:

	Fees (Per Annum) (RM)	Meeting Allowance (Per Meeting) (RM)	Travelling Allowance (Per Annum) (RM)
<b>Chairman:</b>			
Board	60,000	1,000	–
Audit Committee	8,000	1,000	–
Nomination Committee	–	1,000	–
Remuneration Committee	8,000	1,000	–
<b>Member:</b>			
Board	40,000	500	–
Audit Committee	–	500	–
Nomination Committee	–	500	–
Remuneration Committee	–	500	–

NEDs are paid meeting allowances based on attendance. In 2021, the Board has recommended the fees for the Company's Directors for the FYE2022, as recommended by RC.

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**Remuneration Committee (“RC”) (Cont'd)**

The Executive Directors are not entitled to the above Directors’ fee nor receive any meeting allowance for Board Meetings they attend. The Executive Directors’ remuneration package comprises a fixed component which includes a monthly salary and benefits-in-kind/emoluments and has been benchmarked against the market and industry practice, and compared with peer companies of similar size and complexity.

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

<b>Range of Remuneration (in band of RM 50,000)</b>	<b>Number of Key Senior Management</b>
RM 650,001 to RM 700,000	–
RM 600,001 to RM 650,000	2
RM 550,001 to RM 600,000	–
RM 500,001 to RM 550,000	–
RM 450,001 to RM 500,000	–
RM 400,001 to RM 450,000	3

The summary of the RC activities for year is found in page 51.

**Board Effectiveness**

The Board has an agenda that ensures strategic, budget, sustainability, risk management and internal control, operational, financial performance and corporate governance items are discussed at the appropriate time at Board meetings. The Board agenda has strong links to the strategic objectives for the business. Key highlights of the Board’s 2021 activities and priorities are set out below:

<b>Board Activities &amp; Focus in 2021</b>		
<b>Strategy – Sustainability</b>	<b>Governance &amp; Reporting</b>	<b>Financial, Risk &amp; Management Performance</b>
Sustainability Implementation Plan	Reviewed annual report, quarterly results & financial statements	Capital Expenditure (CAPEX) approvals & performance review of historical CAPEX
Improving Sustainability Reporting and data collection	Board evaluation & effectiveness assessment	The Group’s budget, forecasts & key performance targets & indicators
Enhancing staff training and development activities	Composition of Board & Board Diversity	Risk management & internal control with focus on projects basis
	The Anti-Bribery and Anti-Corruption Manual, Code of Ethics and Conduct were updated.	Group’s operational cost management

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**Board Effectiveness (Cont'd)**

<b>Board Committee Activities &amp; Focus in 2021</b>	
<b>RC</b>	<b>NC</b>
Assisted the Board in developing and administering a fair and transparent procedure for setting policy on remuneration of Directors and Senior Management.	Reviewed the Terms of Reference and performance of the Audit Committee and each of its members.
Reviewed the Director's Service Agreement for the new Executive Director and his remuneration package for the FYE2021.	Determined the independence of the Independent Non-Executive Directors pursuant to the MCCG.
Reviewed the level and compensation of remuneration of Directors and Senior Management, taking into account to attract and retain the right talent on the Board and Senior Management to drive the company's long-term objectives.	Recommended the re-election of Directors retiring by rotation pursuant to the Company's Constitution at the 47th AGM of the Company.
Recommended the remuneration of Directors and Senior Management to commensurate with the merit, qualification and competence, having regard to the respective operating division's results, individual performance and comparable market statistics.	Recommended the re-election of Director retiring pursuant to Clause 93 of the Company's Constitution at the 47th AGM of the Company.
Assessed the Directors' fees and related benefits payable.	Reviewed the Board and Senior Management diversity, and to review their performance and effectiveness in achieving the Company's key strategies.

**Code of Ethics and Conduct of Directors**

The Board has formalised a Code of Ethics and Conduct for the Directors, as well as promulgated by the Companies Commission of Malaysia which governs the underlying core ethical values and commitment to lay standards of integrity, transparency, accountability and corporate social responsibility in our behavior and business dealings.

The Code of Ethics and Conduct of Directors is available at the Company's website at [www.hohupgroup.com.my](http://www.hohupgroup.com.my).

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**Directors' Training**

The Board acknowledges that continuous education is vital in keeping them abreast with corporate developments. The Directors have constantly been updated with relevant reading materials and technical updates which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

During FYE2021 the Directors have attended the following courses:

<b>Courses Attended</b>	<b>Date of Training</b>	<b>Attended By</b>
Update On Corporate Liability On Corruption - Setting The Implementation Framework	10.03.2021	Tan Sri Datuk Seri Panglima Sulong Matjeraie
		Datin Chan Bee Leng
Transforming Construction Business Bottom Line – Perspective on Future Performance Challenges	13.03.2021	Tan Sri Datuk Seri Panglima Sulong Matjeraie
Rethinking Corporate Risk to Manage Market Uncertainty – Ethic Regulatory Compliance and Control Environment	07.04.2021	Tan Sri Datuk Seri Panglima Sulong Matjeraie
		Datin Chan Bee Leng
		Mr. Low Kheng Lun
		Mr. Chow Seck Kai
Pathway to Equity Capital via Initial Public Offering (IPO)	27.05.2021	Mr. Chow Seck Kai
Pre & Post IPO Rules and Key Updates to Listing Requirements	24.06.2021	Mr. Chow Seck Kai
MBRS for Preparers – Financial Statement	01.09.2021	Mr. Chow Seck Kai
Latest Guidelines on Conduct of Directors of Listed Corporations & Their Subsidiaries & Malaysia Code of Corporate Governance (Revised) (MCCG)	02.09.2021	Tan Sri Datuk Seri Panglima Sulong Matjeraie
Key Update on Tax Budget	02.12.2021	Tan Sri Datuk Seri Panglima Sulong Matjeraie
Fraud Risk Management Workshop	13.12.2021	Tan Sri Datuk Seri Panglima Sulong Matjeraie

In addition, during the financial year under review, all Directors were also advised of developments and changes to relevant law and regulatory requirements and suitable training and education programmes were identified for their participation.

The Directors will continue to undergo other relevant seminars, conferences and training programmes from time to time as they consider relevant and aid them with the relevant knowledge and ideas to discharge their duties effectively.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT****Audit Committee ("AC")**

The AC comprises entirely of INEDs. The Chairman of the AC is a Chartered Accountant and a member of the Malaysian Institute of Accountants ("MIA") and complies with Paragraph 15.09 (1)(c)(i) of the MMLR of Bursa Securities. The AC has responsibility for oversight of financial statements reporting, risk management, internal control system, related party transactions financial assistance support, the internal audit function and the Company's relationship with Internal Auditors as well as External Auditors, in relation to their scope of work and audit performance.

In presenting the annual financial statements and quarterly financial results announcements to shareholders, the Board aims to present a balanced assessment of the Group's financial position and prospects to ensure that the financial results are released to Bursa Securities within the stipulated time frame and that the financial statements comply with the regulatory reporting requirements. In this regard, the Board is assisted by the AC in overseeing and governing the Group's financial reporting processes and the quality of its financial reporting.

The financial statements are prepared on a going concern basis and give a true and fair view of the financial position of the Group as at 31 December 2021.

In addition to the Chairman's Statement, the Annual Report of the Company contains the following additional information to enhance shareholder's understanding of the business operations of the Group:

- Management's Discussion & Analysis;
- Financial highlights and key performance indicators; and
- Sustainability Report.

The membership of the AC, its responsibilities and work done in 2021 are set out in the 'Audit Committee Report' in this Annual Report.

**External Auditors**

The AC maintains a transparent and professional relationship with the Group's External Auditors, UHY. During the year, the AC considered the independence and objectivity of UHY based on the criteria of quality of services, sufficiency of resources, audit planning and communication and interaction. In determining the independence of UHY, the AC reviewed all aspects of their relationships, including processes, policies and safeguards adopted by the Group and UHY relating to audit independence, and agreed to the audit strategy and the audit fee.

The AC meets periodically to carry out its functions and duties pursuant to its Terms of Reference. Other Board members and Key Senior Management also attend meetings upon invitation of the AC. During FY2021, two (2) private meeting sessions were held between the External Auditors and the AC.

The AC was also satisfied in its review that the provision of the non-audit service by UHY to the Company for FYE2021 did not in any way impair their objectivity and independence as External Auditors of the Company.

Having regard to the outcome of the annual assessment of UHY, the Board had in April 2021 approved the AC's recommendation for the shareholders' approval at the 47th AGM. Shareholders' approval has since been obtained on the appointment of UHY as the External Auditors of the Company for FYE2021.

Additional disclosures on non-statutory audit fees and the detailed work carried out by the AC for the financial year under review are set out separately in the 'Audit Committee Report' of this Annual Report.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

**Risk Management and Internal Audit**

The AC acknowledges its responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system involves the business and key management of each business, including the AC, and is formulated to meet the Group's particular needs and to manage the risks to which it is exposed. The system, by its nature, can only provide reasonable but not absolute assurance against material misstatements, losses and fraud.

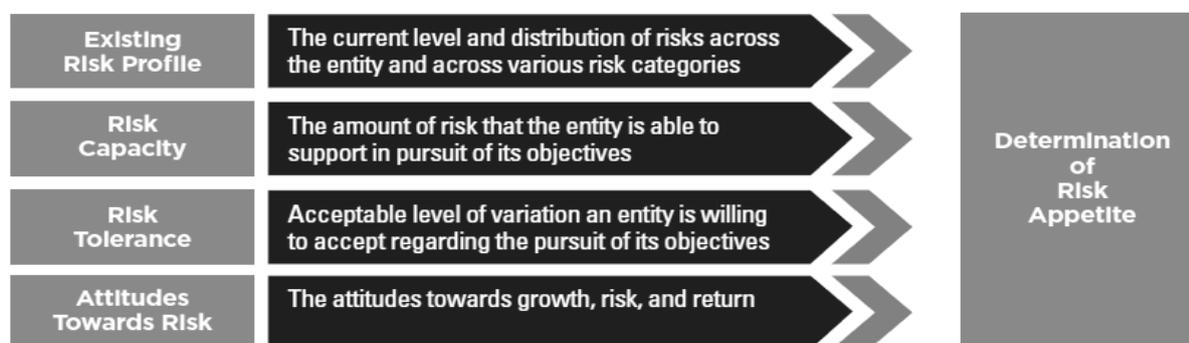
The AC review the adequacy and integrity of the Group's system of internal controls weaknesses and Risk Management Reports are tabled to the Board. The reports identified material business risks in the Group's critical business operations, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

There are clear procedures and defined authorities for the following:

- Financial reporting, with clear procedures governing the reporting process and preparation of the financial statements.
- Capital investment with detailed appraisal, risk analysis and authorisation.

A summary of the material risks that could affect the Group (including any material exposure to economic, environmental and financial risks, including Covid-19 pandemic) are monitored for changes in their exposure and are reported to the AC and the Board during the course of the year, along with their related controls and action plans.

*Risk Reporting Structure*



The Group's Internal Audit function is outsourced to an independent professional firm to assist the AC in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system.

Scheduled Internal Audit reviews were carried out by the Internal Auditors based on the audit plans presented and approved by the AC. During the financial year under review, the Internal Auditors in teams of three (3) had conducted four (4) cycles of Internal Audit as stipulated in the approved Internal Audit Plan.

The Internal Audit was performed in accordance with accepted Internal Auditing practices which involves assessing adequacy and integrity of our internal controls that were used to manage key risks associated with operating processes; discussions held with Senior Management and key staff; as well as limited tests of transactions based on sample selected covering the various related records and documents are supplemented with an observation of its current practices adopted.

An overview of the state of risk management and internal controls within the Group are set out in the Statement on Risk Management and Internal Control in this Annual Report.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS****Communication with Stakeholders**

The Group recognises the importance of communication with its stakeholders and utilises many channels to disseminate information and to interact with them. The Company's website can be access for up-to-date information about the Group's leadership and business structure. The Board believes that on-going communication with shareholders is vital for shareholders and investors to make informed investment decisions and is committed in maintaining effective communications with its shareholders, stakeholders and the public generally. A Shareholder Communications Policy ("Policy") has been developed to earn the trust and confidence of shareholders and public investors as a whole, and to provide an understanding of the Company's business, management direction and the industry. This Policy creates clearer communication for well-informed investment decisions.

The various channels of communication with the shareholders are as follows:-

- a. The Annual Report;
- b. The AGM;
- c. The quarterly announcements on financial results to Bursa Securities;
- d. The various corporate disclosures, circulars and announcements made to Bursa Securities;
- e. Press releases and published interviews with business journals; and
- f. The Company's website at [www.hohupgroup.com.my](http://www.hohupgroup.com.my) from which shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company.

**Investor Relations Activities**

Investor relations activities such as meeting with fund managers and analysts; and interviews by the media are attended by designated Senior Management to explain the Group's strategy, performance and major developments.

**Conduct of General Meetings**

The AGM is an excellent forum for dialogue with all shareholders for which due notice is given. The AGM is also an opportunity for shareholders to direct questions to the Board in relation to the Group's financial performance and the Group's activities.

Following the outbreak of the COVID-19 pandemic in 2020, the Company leveraged on technology by conducting its 47th AGM and Extraordinary General Meeting ("EGM") as virtual sessions. These were conducted via live streaming broadcast over a secure digital platform. The Chairman of the meetings was in attendance at the designated broadcast venue, with all Directors participating in both the 47th AGM and the EGM, either in person or over the virtual meeting platform. Shareholders attending the 47th AGM and EGM were able to participate (including posing questions via real-time submission of typed texts).

The voting at the last 47th AGM and EGM was conducted through electronic voting system to facilitate greater shareholders' participation, as well as to expedite verification and counting of votes.

This Corporate Governance Overview Statement was approved by the Board on 20 April 2022.