

CORPORATE GOVERNANCE REPORT

STOCK CODE : 6633
COMPANY NAME : LEONG HUP INTERNATIONAL 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	:	<p>The Board of Directors' ("Board") key role is to ensure long-term sustainability of the Company and enhance shareholders' value, taking into consideration the interests of other stakeholders including business partners, employees, customers, suppliers, regulators, local communities, non-governmental organisations and the general public. Additionally, the Board is collectively accountable to shareholders for the overall management of Leong Hup International Berhad ("LHI" or the "Company") and its subsidiaries (the "Group") and retains full and effective control over the affairs of the Company, and is responsible for the overall governance and stewardship of the Company. For this, the Board is actively charting the Company's strategy and direction in discharging its fiduciary duty while safeguarding the interest of stakeholders. Amongst the responsibilities shouldered by the Board are</p> <ol style="list-style-type: none">1) Reviewing and adopting a strategic plan for the Group The Group's business plan, budget and management proposal are presented to the Board during Board meetings. The Board reviews, deliberates and approves on Management's proposals and recommendations objectively after thoughtful consideration of long-term value creation, and ethical business practices. This strategic process enables the Management to execute their tasks effectively and plan the utilisation of resources efficiently.2) Overseeing the conduct of the Group's business At each meeting the Group Chief Executive Officer ("CEO") together with the Key Senior Management update the Board on various management issues such as the Group's business update, operation performance, the expansion progress, risk management and other matters of strategic importance. The Board also receives a comprehensive summary of the Group's

financial performance during each reporting period. Where appropriate and required, other relevant members of the Management team will be in attendance at the Board Meeting to support the Group CEO and/or Key Senior Management in presenting these updates and to provide clarifications on the queries and issues raised by the Board. This control which serves as a check and balance ensures that the Group's business is carried out in accordance with the direction set by the Board as well as assists in assessing management performance.

3) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

Enterprise Risk Management workshop is carried out across the core business segments of the Group not only in Malaysia, but also in Singapore, Indonesia, Vietnam and Philippines. Through this workshop, critical operational and financial risks are identified together with their severity to our stakeholders, as well as the existing mitigating factors in place to reduce the impact. The Board ensures that an appropriate and sound risk management framework is implemented by the Management to mitigate those identified risks. An internal audit function is established which reports directly to the Audit and Risk Committee ("ARC") to ensure that robust internal control systems are in place. A yearly assessment report will be tabulated and presented to the Board via ARC for better management and monitoring of the risks. This report also ensures that the adequacy and the integrity of the management information and internal controls system of the Group is maintained from time to time, such that they remain appropriate in light of material changes to the size, nature and complexity of the Group's operations.

4) Succession planning

The Board ensures that all candidates appointed to the Board and key management position are filled by competent personnel and of calibre with the assistance of the Nomination Committee ("NC"). For this, the Board ensures a structural and strategic succession planning are in place to ensure and maintain an appropriate balance of skills, experience and knowledge which are necessary for the Group's business. The steps include appointing, training, retaining, fixing the compensation and where appropriate, replacing Key Senior Management.

5) Overseeing the implementation of the Group's governance framework

The Board, together with Key Senior Management, strive to promote a corporate culture within the Group which emphasises ethical, transparent and professional behaviour. Company secretaries are entrusted with the roles to update

	<p>the Board with the latest corporate governance best practices. The Board, through thoughtful consideration, deliberates on the feasibility and practicality of adopting and implementing corporate governance best practices in the organisation vis-à-vis the relevant regulatory requirements. The Board and Key Senior Management assume the primary role in driving these corporate governance agenda and fostering a strong compliance culture within the Group by ensuring that officers understand their responsibilities in respect of compliance and feel comfortable raising concerns without fear of retaliation.</p> <p>6) Implementing an informative investor relations framework</p> <p>The Board is of the view that timely and informative update of the Group’s major developments to the shareholders is of primary importance to ensure that shareholders are well-informed of all major developments affecting the state of affairs of the Company. A proper investor relations communication channel can provide a transparent and timely update of the on-going progress of the Group’s affairs to valued stakeholders and assure them of the health of the organisation. The Group Chief Executive Officer and Group Chief Financial Officer conduct regular dialogues with financial analysts as a means of effective communication that enables the Board and Key Senior Management to convey information relating to the Company’s financial and operational performance, corporate strategy and other relevant matters affecting shareholders’ interests when this information is allowed to be released to the public.</p> <p>The Board Charter, which further details out the roles and responsibilities of the Board is available on the Company’s website at www.leonghupinternational.com.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

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	:	<p>Mr Lau Chia Nguang helms the Board as Non-Independent Executive Chairman to provide leadership at Board level and represents the Board to shareholders and other stakeholders. The Executive Chairman presides over meetings of the Board and is responsible for instilling best corporate governance practices, providing leadership and ensuring effectiveness of the Board and its Committees. The Executive Chairman is primarily responsible for the following:</p> <p>i. ensuring orderly conduct of Board meetings by:</p> <ul style="list-style-type: none">• setting the agenda for each Board meeting together with the Company Secretaries and the Group CEO. Other Directors and Key Senior Management may also be consulted;• ensuring the provision of accurate, complete, timely and clear information to the Directors;• leading Board meetings and discussions;• managing boardroom dynamics by promoting a culture of openness and debate;• encouraging active participation and allowing dissenting views to be freely expressed; and• ensuring all Directors are properly briefed on issues arising at Board meetings in a timely manner. <p>ii. providing leadership to the Board in its collective oversight of management by:</p> <ul style="list-style-type: none">• taking a leading role in establishing an effective corporate governance system and practices, including Board and Committees' Charters, Committees' structure and ensuring that induction as well as ongoing education programmes for Directors are in place;• ensuring that prior to new appointments to the Board, an assessment is undertaken on the candidate, which may include a competency and behavioural analysis of the candidate; and• ensuring that the Board and senior executive succession planning is considered on an ongoing basis.

	<p>iii. ensuring effectiveness of the Board by:</p> <ul style="list-style-type: none"> • arranging the regular evaluation of the performance of the Board, its Committees and individual Directors and discussing the performance assessment with individual Directors and Committees' Chairman/Chairperson. <p>The roles and responsibilities of the Chairman of the Board are specified in the Board Charter which is made available on the Company's website at www.leonghupinternational.com.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
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	:	<p>The Board acknowledges the importance of having different individuals holding the positions of Chairman and Group CEO so as to ensure a balance of power and authority and no individual has unfettered powers of decision and control.</p> <p>Mr Lau Chia Nguang was appointed as the Company's Executive Chairman on 1 October 2018. In his capacity as Executive Chairman, he represents the Board to the shareholders and other stakeholders to ensure the integrity and effective overall functioning of the Board and its Committees.</p> <p>The Group CEO, Tan Sri Lau Tuang Nguang, is responsible for the overall business and day-to-day management of the Group which includes organisational effectiveness and implementation and execution of Board strategies, policies and decisions.</p> <p>The key roles and responsibilities of the Chairman and the Group CEO are clearly demarcated in the Board Charter which is accessible at the Company's website, www.leonghupinternational.com.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
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	:	<p>The Board is supported by suitably qualified and competent Company Secretaries in discharging their functions. The Company Secretaries play an advisory role to the Board and are experienced, competent and qualified under Section 235 of the Companies Act 2016 in performing their duties. They are either member of The Malaysian Institute of Accountants (MIA) or member of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The Company Secretaries attended relevant conferences and training programmes to keep themselves abreast with the regulatory changes and corporate governance development.</p> <p>The Company Secretaries play an advisory role to the Board, particularly in relation to the Company's Constitution, Board policies and procedures and its compliance with regulatory requirements and advocate adoption of corporate governance best practices. The Board is regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements as well as corporate governance best practices to enable them to discharge their duties and responsibilities effectively. All Directors have ready and unrestricted access to the advice and services of the Company Secretaries in carrying out their duties. The appointment and removal of the Company Secretaries should be a matter for the Board as a whole.</p> <p>The Company Secretaries attended all Board, Board Committees and general meetings and ensure that deliberations and resolutions passed are accurately and properly documented. The Company Secretaries also work closely with the Key Senior Management to ensure timely and appropriate information flows within the Board and Board Committees, and between the Non-Executive Directors and Key Senior Management.</p> <p>Further details on the roles of the Company Secretaries are set forth in the Company's Board Charter.</p>
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	<p>As set out in the Board Charter, the notice and agenda of Board meeting together with the supporting Board papers should be given at least five (5) business days prior to each Board Meeting. Thus, prior to Board meetings, all Board members are furnished with proper agenda (including minutes) with due notice issued and board papers containing the relevant information to be deliberated at the meeting. This is to accord sufficient time for the Directors to review, consider and obtain further information or seek clarification on the matters to be deliberated at the meeting, if required, from the Key Senior Management or the Company Secretaries.</p> <p>All pertinent issues discussed at the Board and Board Committees meetings in arriving at the decisions and conclusions are recorded in a clear, accurate, consistent, complete and timely manner, including matters where Directors abstained from voting and deliberation. The draft minutes are circulated to the Directors for perusal prior to confirmation at the following Board meeting. The minutes record the decisions, including key deliberations, rationale for each decision made and any concerns or dissenting views.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
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	:	<p>The Board Charter was adopted by the Board on 10 April 2019 in preparation for the listing of the Company. The Company was listed on the Main Market of Bursa Malaysia Securities Berhad on 16 May 2019.</p> <p>The Board Charter sets out the Board practices and processes, roles and responsibilities of the Board, Executive Chairman, Group Chief Executive Officer, Executive and Non-Executive Directors, Independent Director, Senior Independent Director and Board Committees, including a formal schedule of matters reserved to the Board. It provides an overview of how the Board leads by strategic guidance and effective oversight of the management of the Company. It also sets out the delegation of authority by the Board to the Board Committees namely, ARC, NC and Remuneration Committee (“RC”).</p> <p>The Board Charter will be reviewed and updated periodically in accordance to the needs of the Company and any new regulations that may have an impact on the Board in discharging its duties and responsibilities.</p> <p>The Board Charter is available at www.leonghupinternational.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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	:	<p>The Code of Conduct and Ethics has been in place prior to the listing of the Company on 16 May 2019. All Directors and employees are expected to uphold the highest standard of integrity, ethical conduct and corporate governance in discharging their duties.</p> <p>In addition, the Board has adopted the Code of Ethics of Directors ("Code") which enables the Board and each Director to focus on areas of ethical risk and provides guidance to Directors to help them recognise and deal with ethical issues and provides mechanisms to report unethical conducts and helps foster a culture of honesty and accountability. The principles of this Code are based on sincerity, integrity, responsibility and corporate social responsibility.</p> <p>The Code of Conduct and Ethics is available on the Company's website, www.leonghupinternational.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	<p>The Board had on 26 November 2019 established a Whistleblowing Policy that provides a mechanism and avenue for employees and any external party to report any breach or suspected breach of any law or regulation or to raise concerns on any misconduct, in a safe and confidential manner.</p> <p>The Board has the overall responsibility for overseeing the implementation of the Whistleblowing Policy, and all whistleblowing reports are addressed to the ARC, via email or ordinary post.</p> <p>The Whistleblowing Policy is available at www.leonghupinternational.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	<p>The Board currently consists of thirteen (13) members, as follows:</p> <table border="1"> <thead> <tr> <th>Designation</th> <th>No. of Directors</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Non-Independent Executive Director</td> <td>6</td> <td>46%</td> </tr> <tr> <td>Non-Independent Non-Executive Director</td> <td>1</td> <td>8%</td> </tr> <tr> <td>Independent Non-Executive Director</td> <td>6</td> <td>46%</td> </tr> <tr> <td>Total</td> <td>13</td> <td>100%</td> </tr> </tbody> </table> <p>The Board composition complies with Paragraph 15.02 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad which requires at least 2 or 1/3 of the Board are Independent Directors.</p> <p>The Independent Directors are of high calibre with diversified background and wide skills and in-depth experience in boardroom and leadership positions. The Independent Directors are able to exercise strong independent judgement and provide check and balance to the Board with their unbiased and independent views as to foster greater objectivity in the Board of Directors. The Independent Directors also constantly engaging in in-depth discussion with the Key Senior Management.</p> <p>All the six Independent Directors met the criteria of “independence” under the Listing Requirements and other criteria, in particular, their abilities to exercise their objective and independent judgement to act in the best interests of the Company.</p> <p>The Directors are cognisant of the recommendation in the Code for the Board to comprise a majority of independent directors, and will assess the composition and size of the Board on an ongoing basis to ensure the needs of the Company are met. The Board is of the view that the current Independent Non-Executive Directors have the experience and business acumen necessary to carry sufficient weight in the Board’s decisions, and act in the best interests of the</p>			Designation	No. of Directors	%	Non-Independent Executive Director	6	46%	Non-Independent Non-Executive Director	1	8%	Independent Non-Executive Director	6	46%	Total	13	100%
Designation	No. of Directors	%																	
Non-Independent Executive Director	6	46%																	
Non-Independent Non-Executive Director	1	8%																	
Independent Non-Executive Director	6	46%																	
Total	13	100%																	

	shareholders.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Subsequent to the Company's listing on 16 May 2019, the NC has been constantly seeking for qualified and competent candidates that can reinforce the independence of the Board and contribute to the effective governance of the Company.
Timeframe	:	Within 2 year

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	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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	:	<p>The Board is committed to encourage diversity and inclusion in the workplace. With the recommendation of the NC, the Board had on 26 November 2019 reviewed and approved the Board Diversity Policy.</p> <p>The NC is delegated with responsibilities of assessing and recommending suitable candidates to be appointed as Directors and committee members.</p> <p>The NC will take into consideration the candidates' skills, knowledge, expertise and experience, commitment (including time commitment), professionalism, boardroom diversity including gender, age and ethnicity, cultural background, character, integrity and competence. For the position of Independent Directors, the NC will also evaluate the candidates' ability to discharge such responsibilities or functions as are expected from Independent Directors.</p> <p>The Board upon the recommendation of the NC, evaluates and decides on the appointment of the proposed candidate to the Board.</p> <p>The appointment of Key Senior Management is based on predetermined criteria that includes skill sets, integrity and leadership qualities, driven by their respective job descriptions.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
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	:	<p>Pursuant to the Company's Board Diversity Policy, the Company shall have at least one female Director on the Board. Notwithstanding that, the Board currently comprises four (4) female Directors out of the thirteen (13) Board members, which represents 31% of the Board's composition.</p> <p>The Company's Board Diversity Policy is available at www.leonghupinternational.com.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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	:	<p>The Company was listed on 16 May 2019. The appointment of Independent Directors, for the inclusion into the Company's Prospectus, was to some extent, reviewed by the regulators and the Securities Commission with regards to their suitability, experience, calibre and gender.</p> <p>The NC is responsible to identify and select the potential candidates as Director through various channels and avenues to identify suitably qualified candidates in addition to considering potential candidates proposed by senior executive, any Director or shareholder, prior to making recommendation to the Board.</p> <p>There was no new appointment of Director since the listing of the Company.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
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 Mr Tay Tong Poh who is an Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company was listed on 16 May 2019. The Board did not engage an external independent consultant to undertake a formal annual evaluation of the Board, Board Committees and each individual director for the financial year ended 31 December 2019. However, the Company has established a formal process for assessment of the effectiveness of the Board as a whole, various Board Committees and the contribution of each Director, facilitated by the Company Secretaries making reference to the guides available and the good corporate governance compliance.</p> <p>The NC had on 18 February 2020 carried out the annual assessment to determine the effectiveness of the Board, Board Committees and individual director and performance and contribution of each director in respect of financial year 2019.</p> <p>The evaluation process started with the development of the evaluation forms by NC, which were approved by the Board. Various factors for assessment were considered in the evaluation forms including its size, structure, composition, mix of skill and experience, time commitment, integrity etc.</p> <p>The evaluation methods used are Committee Evaluation, Self-Review Evaluation and/or Peer Review Evaluation by completing questionnaires. The Directors' responses are collated by the Company Secretaries and a summary of the findings was presented to the NC for deliberation. The findings were subsequently reported to the Board.</p> <p>Based on the results of the assessment for the financial year 2019, the NC was satisfied that the existing Board and Board Committees have discharged their respective roles and responsibilities in a conscientious manner.</p>

<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>: At the moment, the NC does not recommend an external facilitator as the Board considers the assessment described above to be effective for the Company than prescribing an external facilitator in carrying out the annual assessment of the Board and Board Committees as well as the contribution and performance of each director. Nevertheless, the NC will continue to enlist the services of independent experts periodically.</p>
<p>Timeframe</p>	<p>: Within 2 years</p>

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Presently, there is no formal and transparent process for approving the remuneration of the Executive Directors, Non-Executive Directors and Key Senior Management as the Company was newly listed on 16 May 2019. However, the RC ensures that the remuneration is sufficiently attractive and competitive to retain high calibre Executive Directors and Key Senior Management who have the skills, experience and knowledge to drive the Company's business strategy and long-term objectives and enhance shareholders' value. The RC considers various factors including the function, workload and responsibilities involved and the Company's performance when considering the remuneration packages of the Directors and Key Senior Management. The determination of remuneration packages of Executive Directors and Non-Executive Directors should be a matter for the Board as a whole where the individuals concerned shall abstain from discussion of their own remuneration.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company will establish a remuneration policy for the Directors and Key Senior Management.
Timeframe	:	Within 1 year

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	:	<p>The Board has established a RC that comprises solely of Independent Non-Executive Directors. The RC is chaired by Ms Goh Wen Ling, the Independent Non-Executive Director.</p> <p>The RC is principally responsible for reviewing and assessing the remuneration packages of Executive Directors, Non-Executive Directors and Key Senior Management in all forms to ensure that they remain competitive, appropriate and commensurate with their experience, skills, level of responsibilities as well as industry benchmark to drive the Company towards long-term sustainable growth.</p> <p>The RC's Terms of Reference can be accessed at www.leonghupinternational.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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.

Application	:	Applied
Explanation on application of the practice	:	In conjunction with the listing of the Company, the remuneration of the Directors of the Company are disclosed on a named basis in the prospectus of the Company. In line with the MCCG, the nature and amount received/receivable by each Director during the financial year ended 31 December 2019 are also provided in the Corporate Governance Overview Statement of the Company's 2019 Annual Report which is accessible to the shareholders and stakeholders.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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.

Application	:	Applied
Explanation on application of the practice	:	<p>The five Executive Directors on the Board also occupy the offices of top five Senior Management of the Company. By virtue of the application of Practice 7.1, the Company has simultaneously applied Practice 7.2.</p> <p>The detailed remunerations of the Executive Directors cum top five Senior Management are disclosed in the Corporate Governance Overview Statement of the Company's 2019 Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
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	:	Mr Low Han Kee, who is the Senior Independent Non-Executive Director of the Company serves as the Chairman of the ARC. Whilst the Chairman of the Board is Mr Lau Chia Nguang. Having the positions of the Chairman of the Board and Chairman of the ARC assumed by different individuals allows the Board to review the ARC's findings and recommendations with unfettered objectivity.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	<p>The Terms of Reference of the ARC and the External Auditors Assessment Policy specifically set out the requirement for a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARC as to safeguard the integrity and independence of the audit process.</p> <p>None of the members of the ARC are former key audit partners of external audit firm(s) servicing the Company or the Group.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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	<p>The Board, through the ARC, has maintained a formal, proper and transparent relationship with the external auditors. Before the commencement of the audit, the ARC discussed with the external auditors the nature and adequacy of the scope, functions and resources of the audit, and ensure co-ordination where more than one audit firm is involved.</p> <p>The ARC has direct communication channels with the external auditors to discuss audit findings, problems and reservations arising from the interim and final audits, and any matter external auditors may wish to discuss (in the absence of management where necessary). As part of the assessment of the performance of the external auditors, the ARC also reviewed the external auditors' management letter and response from management.</p> <p>Aside, the ARC reviewed the nature and extent of non-audit services rendered by the external auditors during the financial year and concluded that the provision of these services did not compromise their independence and objectivity. In addition, the ARC received written confirmation from the external auditors that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The Company had in November 2019 formalised an External Auditors' Assessment Policy primarily to establishing policies and procedures in assessing the suitability, objectivity and independence of external auditors and also to governing circumstances for contracts of non-audit services to be entered with external auditors.</p> <p>Guided by its Terms of Reference, the ARC had on 17 February 2020 undertaken an assessment on the suitability, effectiveness and independence of the external auditors, PricewaterhouseCoopers PLT ("PwC") for the financial year ended 31 December 2019.</p> <p>Based on the assessment results, the ARC was satisfied with the suitability of PwC. Based on the ARC's recommendation and having</p>

	<p>regard to the outcome of the annual assessment of external auditors, the Board had agreed that the re-appointment of PwC as external auditors of the Company be recommended to the shareholders for approval at the forthcoming Annual General Meeting (“AGM”) of the Company.</p>	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

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 ARC comprises of three members, all of whom are 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	<p>The ARC is chaired by Mr Low Han Kee. He is a member of the Malaysian Institute of Certified Public Accountants. He has more than 30 years of financial expertise covering audit as well as senior finance positions and management position in Malaysian public listed companies.</p> <p>Ms Chu Nyet Kim is a Fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. She has garnered vast experience in the field of taxation, finance and accounting functions.</p> <p>Ms Goh Wen Ling is a lawyer by profession and has various experiences in the legal industry encompassing direct real estate acquisitions and divestments, retail banking and etc.</p> <p>The members of the ARC, collectively, have a wide range of relevant skills, knowledge and industry experience. They are capable of providing sound advice to the Board not only in terms of financial reporting but also on internal audit, taxation and the state of the Group's risk and internal control environment.</p> <p>The members of the ARC continuously apply critical and probing view on the Company's financial reporting process, transactions and other financial information, and effectively challenge Management's assertions on the Company's financials during the ARC meeting.</p> <p>Apart from continuous training attended by each Director, the ARC receives periodic updates on new accounting standards from the Company's external auditors and corporate governance updates from the Company Secretaries.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	<p>The Board acknowledges the overall responsibilities for the Group's risk management and internal control system within the Group and is focussing on setting the procedures and culture towards their effectiveness. The overall risks cover operational risks, financial risks, regulatory and compliance control. The ARC has been entrusted to assist the Board in discharging its roles and responsibilities to oversee the effectiveness of risk management and internal control systems, and also to advise the Board on the principal risks facing the business including those that would threaten its solvency or liquidity.</p> <p>An internal audit team from a professional firm was engaged to assist the ARC to establish the Enterprise Risk Management framework and identify potential risks that will hinder long-term sustainable goal of the Group. The review of the Group's risk management and internal control is an on-going process, designed to manage risks rather than to eliminate the risk of failure to achieve business objectives.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	<p>The key features of the Group's risk management and internal control framework as well as their adequacy and effectiveness are disclosed in the Statement on Risk Management and Internal Control of the Company's 2019 Annual Report.</p> <p>The Statement also outlines the differentiated roles and functions of those entrusted with maintaining risk management and internal control systems. Measures being put in place to manage and mitigate risks are also articulated in the Statement.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
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	:	

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	:	In preparation of the Company's listing, the Company had engaged an external consultant to carry out the internal review over the Group. Following the listing, the Company has outsourced the internal audit function to Deloitte Risk Advisory Sdn Bhd, a professional firm. The outsourced internal auditors report directly to the ARC. Its role is to provide independent assurance on the adequacy and the effectiveness of the risk management, internal control and governance process of the Group. The scope of internal audit is decided and agreed upon with the ARC based on the material impact of a detailed Enterprise Risk Management review of the major subsidiaries including (but not limited to) financial and operational areas. After the audit, an internal audit report summarising the audit findings, recommendations for improvements and Management's responses to the findings and recommendations were tabled to the ARC at the quarterly ARC meetings. The Internal Auditors will perform follow-up audits subsequently to ensure that corrective actions had been implemented.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	<p>The internal audit function is outsourced to an independent professional firm, Deloitte Risk Advisory Sdn Bhd, to ensure objectivity and independence of the work.</p> <p>The internal audit personnel from Deloitte Risk Advisory Sdn Bhd are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The disclosures are set out in various sections of the Corporate Governance Overview Statement, Statement on Risk Management and Internal Control and the Audit and Risk Committee Report of the 2019 Annual Report.</p> <p>The internal audit function is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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	:	<p>The Board acknowledges the importance of providing regular, effective and transparent communication with the Company's stakeholders to strengthen their confidence and trust. The Board is also steadfast in ensuring that all communications to the investing public regarding the business operations and financial performance of the Group are made in a timely, accurate, unswerving and informative manner. In an effort to maintain the level of credibility and governance, the following channels have been used by the Board to disseminate information and communicate to the key internal and external stakeholders, including but not limited to investor relations activities:</p> <p>Investor Relations</p> <p>The Group maintains its communication channel with shareholders, investors and the investment community, both in Malaysia and internationally, via its dedicated Investor Relations (IR) function. The Board believes internal resources understand the Company better and serves to meet the expectation of the wide range of stakeholders with informative and accurate information that will help the investment community to develop a comprehensive understanding of the Company's strategies, financial results and corporate developments. Earnings briefing for financial analysts is held periodically after the announcement of the Company's quarterly results through Bursa LINK to provide financial analysts with better insights into the Company. The Company has formally adopted an Investor Relations Policy on 26 November 2019. It is available at the Company's website.</p> <p>Website</p> <p>The Company ensures that its website is regularly updated with current and relevant information to provide up-to-date information on the business, strategic development, corporate governance, sustainability initiatives and financial information of the Group. A variety of online and offline contact options (email, online feedback form, general and media enquiries) are provided to facilitate the public's engagement with the Group in their preferred manner.</p>

	<p>Annual Report The Annual Report serves as a major channel of communication on the Group's financial performance, business activities and other key developments such as operational updates and challenges. The Board places great importance on the content of the Annual Report to ensure the accuracy of the information as the Annual Report is a vital source of information for investors, shareholders and the general public.</p> <p>Bursa Malaysia Securities Berhad The Company releases all material announcements via Bursa LINK. The shareholders and the public in general may obtain such announcements and financial information from the website of Bursa Malaysia Securities Berhad.</p>	
<p>Explanation for departure</p>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	:	
<p>Timeframe</p>	:	

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	:	<p>Notwithstanding that the 2019 Annual Report is the Company's first Annual Report since its listing on 16 May 2019, the Integrated Reporting process is an on-going journey to improve the quality of information disclosure to stakeholders. The Company takes an incremental approach towards Integrated Reporting and intends to gradually move towards a more integrated approach of reporting from its existing reporting structure.</p> <p>Nonetheless, the Board and management strive to improve quality of information disclosed to stakeholders and promote greater accountability and transparency. The Company's 2019 Annual Report which contained the Management Discussion and Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, Audit and Risk Committee Report, Additional Compliance Information, Sustainability Statement, Audited Financial Statements for the financial year ended 31 December 2019 have provided a fairly comprehensive overview on the Company's financial and non-financial information.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	To be in line with the practice, the Board will continue to move towards a more integrated approach from its existing reporting and will consider the adoption of integrated reporting at an appropriate time in the future based on a globally recognised framework.
Timeframe	:	Others
		On going

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	:	<p>The Company was newly listed on 16 May 2019. The Board will be convening its 2020 AGM on 26 June 2020. The notice of its AGM will be given to its shareholders on 28 May 2020, i.e. 28 days prior to the AGM.</p> <p>A copy of the notice of AGM is available at the Company's website at www.leonghupinternational.com and advertised in a nationally circulated English daily newspaper.</p> <p>The Notice of AGM provides detailed explanation for the resolutions proposed along with background information and reports or recommendations that are relevant, where required and necessary, to enable shareholders to make informed decisions when exercising their voting rights.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company was listed on 16 May 2019 and will be convening its first AGM on 26 June 2020. All Directors and the Chairs of Board Committees will be attending the 2020 AGM to answer any questions or concerns raised by the shareholders at the said AGM.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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	:	Applied
Explanation on application of the practice	:	<p>The Company's Constitution allows members to vote by proxy subject to the provision governing appointment and validity of proxies as specified in the Constitution. All resolutions put to the shareholders at the forthcoming AGM shall be carried out by poll under an electronic voting process, which is in line with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The forthcoming AGM of the Company will be held at Connexion Conference & Event Centre, Summit 1 Ballroom (Level M1), The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, which is a central location and easily accessible by shareholders.</p> <p>In light of the COVID-19 pandemic, the shareholders may opt to participate and vote remotely via the remote participation and voting facilities which is available on Tricor's TIIH Online website at https://tiih.online. Shareholders can register for remote participation with TIIH online prior to the meeting day to join the live streaming of the AGM proceedings and post questions to the Chair and cast their votes online.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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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