

Statement on Corporate Governance

The Board of Hai-O Enterprise Berhad recognises the importance of the Malaysian Code on Corporate Governance 2012 ("the Code" or "MCCG 2012"), which sets out the broad principles and specific recommendations on structures and processes which Hai-O Enterprise Berhad should adopt in making good corporate governance an integral part of its business dealings and culture.

The application of the Code and the extent of compliance with the Principles set out in the Code are reported hereunder. Where the Company has not followed any Recommendation or has taken steps to follow such Recommendation, or has established an alternative approach, together with the reasons, where applicable, is disclosed in this Statement.

STATEMENT ON APPLICATION OF THE CODE

The Board is satisfied that the Company has, in all material aspects applied the principles and recommendations of the MCCG 2012 during the financial year ended 30 April 2017.

Principle 1 - Establish clear roles and responsibilities of the Board and Management

Clear functions of the Board and Management

The Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the responsibilities in discharging its fiduciary and leadership functions. Matters that require the prior review and approval by the Board are set out in the list of agenda of the annual meeting calendar. Pursuant to Articles 126 and 138 of Company's Articles of Association, decisions of the Board at a physically convened Board Meeting shall be decided by a majority of votes or alternatively, circular resolutions must be signed by majority of the Directors. The Company Secretary keeps the minutes of the Board Meetings, a draft of which is circulated to Management and Directors for their comments prior to approval by the Chairman.

To ensure the effective discharge of its function and responsibilities, the Board delegated powers of the Board to the Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and ESOS Committee to oversee the Group's affairs in accordance with their respective Terms of Reference. All proceedings, matters arising, deliberations, in terms of the issues discussed, and recommendations made by the Board Committees' meetings are recorded in the minutes by the Company Secretaries, confirmed by the Board Committees, signed by the Chairman of the said Committees, and reported to the Board. Upon invitation, Management representatives were present at the Board Committees' meeting to provide additional insight to matters to be discussed during the said Committee meetings, if so required.

The Board, assisted by the respective Board Committees, is responsible for amongst others, the following:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing and evaluating the conduct of the Group's businesses, review of business plans and approval of annual budget;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Establishing a succession plan for senior management;
- Overseeing the development and implementation of Investor Relations policy for the Company;
- Reviewing the adequacy and the integrity of the management information and internal controls system of the Group;
- Formulating corporate policies and strategies;
- Approving key matters such as quarterly financial results, audited financial statements as well as major investments and divestments, major acquisitions and disposals and major capital expenditures;
- Assessing on an annual basis the effectiveness of the Board, Board Committees and individual Directors, including Senior Management; and
- Reviewing the term of office and performance of the Board Committees and each of its members in accordance to their respective term of office.

Statement on Corporate Governance (cont'd)

Principle 1 - Establish clear roles and responsibilities of the Board and Management (cont'd)

Clear functions of the Board and Management (cont'd)

The Board plays an active role in the establishment of the Company's strategic plan. The Executive Directors together with the Head of Business Units undergo a rigorous and thorough process of setting the annual business plan and the annual budget against the market trends and industry benchmark. At the beginning of the financial year, the Board reviewed with Management the annual business plan as well as the annual budget for the year and to ensure that there are resources in place for the Group to meet its objectives.

Further details of Group business strategies by segment are outlined in the Statement on Management Discussion and Analysis of this Annual Report.

Management's role is to implement and execute the expressed policies and strategies adopted by the Board and has delegated authority to manage the business on a day to day basis. The limits of Management's authority are encapsulated in the Group's Policy document which outlines the decision making authority of the executive management team, generally covering approvals for operational and capital expenditure, execution of contracts, procurement and human resource matters. Any commitments which are not within the ordinary course of business, material in nature and are subject to the disclosure requirements pursuant to the Main Market Listing Requirements ("MMLR") of Bursa Securities will require the prior approval of the Board.

The Board was briefed on the operational performance and the quarterly report on the financial performance of the Group. As and when necessary, additional meetings would be convened to discuss on matters which are not in the ordinary course of business such as new business proposals/opportunities and major capital commitments.

Clear roles and responsibilities

The functions of the Executive and Non-Executive Directors are separated and clearly defined. Generally, the Executive Directors manage the Group's daily operations and implement the operational and corporate decisions. The Non-Executive Directors provide the Company with unbiased, independent views and decisions, after taking into consideration the interest of the shareholders, employees and business associates. The expertise of the Independent Non-Executive Directors complements the knowledge and experience of the Executive Directors in the formulation of the Company's strategies and policies for business operations as well as to promote sustainability. The Independent Non-Executive Directors also play a role to ensure a clear separation between the policy-making process and day-to-day management of the Group's businesses. For any conflict of interest, potential or otherwise, it is a mandatory practice for the Director concerned to declare his or her interest and to abstain from voting and deliberations on that affected subject matter.

The Group Executive Chairman is responsible for ensuring the smooth and effective functioning of the Board. His duties include providing leadership to the Board, ensuring that the Board carries out its responsibilities in the best interest of the Company and that all the key issues are discussed in a timely manner. The Chairman is also tasked with facilitating active discussion and participation by all Directors and ensuring that sufficient time is allocated to discuss all relevant issues at Board meetings.

The Group Managing Director, is responsible to formulate appropriate corporate strategies and develop the business. In the normal course of events, day-to-day management of the Company will be in the hands of Management and under the stewardship of the Group Managing Director.

Succession Planning

The Board recognises that succession planning is an ongoing process designed to ensure that the Group identifies and develops a talent pool of personnel through mentoring, training and job rotation for high level management positions that become vacant due to retirement, resignation, death or disability and/new business opportunities.

Statement on Corporate Governance (cont'd)

Principle 1 - Establish clear roles and responsibilities of the Board and Management (cont'd)

Sustainability of Business

The Board is mindful of the importance of business sustainability and in developing the corporate strategy of the Group, its impact on the environment, social and governance aspects is taken into consideration. The Company's activities on corporate social responsibilities for the year under review are disclosed on pages 34 to 40 of this Annual Report.

Code of Ethics and Whistleblower Policy

The Board is committed to maintain a corporate culture which engenders ethical conduct. The Directors observe the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my and Company's website at www.hai-o.com.my. The Code of Ethics provides guidance to the Directors of the Company in performing their duties as it aims to establish a standard of ethical behaviour based on trustworthiness and values as well as uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administration of a company. The Group has also established an internal policy which was formalised through the Company's Code of Ethics and Business Conduct ("Business Code"). The employees of the Group are required to adhere to the principles and practices outlined in the Business Code in performing their duties and responsibilities. A copy of the Internal Business Code is available on our internal portal which is accessible to all directors and employees.

The Company has adopted a Whistleblower Policy which is disseminated to employees on the Company's internal portal. The Whistleblower Policy which states the appropriate communication and feedback channels to facilitate whistleblowing can also be accessed at Company's website www.hai-o.com.my.

Access to Information and advice

The Board is given the meetings schedule a year ahead at the start of each calendar year so that the Directors could plan ahead and note down in their diaries to allocate time for their attendance of such meetings.

The Board meets at least once in every three (3) months. During the financial year ended 30 April 2017, the Board met eight (8) times with an average attendance record of 98%. Senior Management staff has been invited to attend the Board meetings to provide the Board with operational, management and financial details. The details of Directors' attendances during the financial year 2017 are set out on page 67 of this Annual Report.

Notice of meetings setting out the agenda and accompanied by the relevant Board papers are given to the Directors within sufficient time to enable the Directors to review, seek additional information and / or clarification on the matters to be deliberated at Board meetings.

The Chairmen of the respective Board Committees, namely, Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and ESOS Committee were given time under a separate Agenda at each Board Meeting following their respective meetings to brief the Board of the salient matters deliberated at such Committee meetings and if necessary, recommend to the Board, actions to be taken.

The Board has unrestricted access to all staff for any information pertaining to the Group's affairs. In addition, the Board has access to the advice and services of the Company Secretaries who are responsible in ensuring that the Board meeting procedures are followed and that applicable rules and regulations are being complied with. The Board may also seek independent professional advice at the expense of the Company as they deem necessary in furtherance of their duties. Any Director who wishes to seek independent professional advice in the course of discharging his / her duties may raise the request during the Board meeting or convey the request through the key senior management or Company Secretary for consideration of the Board at a Board meeting to be held.

In addition, the Board was also briefed and updated with the latest relevant regulatory requirements from time to time at the respective Board Meetings by the Company Secretary.

Statement on Corporate Governance (cont'd)

Principle 1 - Establish clear roles and responsibilities of the Board and Management (cont'd)

Company Secretary

The Company Secretaries are members of Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA). They are competent in carrying out their work and play supporting and advisory roles to the Board. They ensure adherence and compliance to the procedures and regulatory requirements from time to time. They also ensure that meetings are properly convened and deliberations at meetings are accurately captured and minuted.

Board Charter

To enhance accountability, the Board Charter which clearly sets out the roles, functions, composition, operation and processes of the Board was developed and replaced the Directors Handbook which was established in 2010. The Board Charter clearly sets out the roles and responsibilities of the Board and Board Committees, function of the Board and those delegated to Management, the processes and procedures for convening their meetings and the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company. The Board Charter will be periodically reviewed and updated to take into consideration the needs of the Company as well as any development in relevant rules, regulations and laws that may impact on the discharge of the Board's duties and responsibilities. The last review was made in June 2016 whereby the terms of references of the Audit Committee and Nominating Committee were updated incorporating the amendments to the MMLR which took effect from 1 July 2016. The summary of the Board Charter, Terms of Reference of Audit Committee and Nominating Committee are available on the Company's website at www.hai-o.com.my under the Investor Relations section.

Principle 2 - Strengthen Composition of the Board

Composition of the Board

Our Board currently consists of nine (9) members, three (3) of whom are Executive Directors and six (6) Non-Executive Directors of whom four (4) are Independent Directors. Thus, this complies with Paragraph 15.02 of the MMLR of Bursa Securities that at least one-third (1/3) of the Board are Independent Directors.

The positions of the Group Executive Chairman and Group Managing Director are held by different individuals. All the Independent Directors are independent of management and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Recommendation 3.5 of the Code states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. Mr. Tan Kai Hee is the Group Executive Chairman. Although the Company does not have a majority of Independent Directors on its Board, there are six (6) Non-Executive Directors, four (4) of whom are Independent and as such, the Board collectively would be able to function independently of management and there is no disproportionate imbalance of power and authority on the Board between the Non-Independent and Independent Directors. Mr. Tan has extensive experience in the Group's businesses and provides leadership for the Board and setting the overall strategies and objectives of the Company. Although our Chairman is an executive member of the Board, the Board has the presence of Independent Directors with distinguished records and credentials to ensure that there is independence of judgement. The Non-Executive Directors are independent of management and free from any business relationship which could materially interfere with the exercise of their judgement. They, particularly the Independent Non-Executive Directors, are actively involved in various Board Committees. They provide guidance, unbiased, fully balanced and independent and objective views, advice and judgment to various areas such as performance monitoring, enhancement of corporate governance and controls so as to safeguard the interest of shareholders and stakeholders.

Based on the above, the Board was satisfied that notwithstanding the executive position, the Chairman has continued to discharge his duties effectively and has shown tremendous commitment and has played an integral role in the stewardship of the Group. In addition, in consideration of the substantial shareholding interest of the Chairman in the Company and accordingly, the Board is of the view that he is well placed to act on behalf of shareholders and in their best interest.

Statement on Corporate Governance

(cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Nominating Committee

The Board has delegated to the Nominating Committee the responsibility to establish, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors inclusive of the assessment on effectiveness of the Board as a whole, and the performance of each individual director. With effect from financial year 2016, the Nominating Committee has also been tasked to review the term of office and performance of Audit Committee and its members on an annual basis. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions are properly documented.

The Board has on 18 December 2001 set up a Nominating Committee. The Nominating Committee currently comprises exclusively of Non-Executive Directors, a majority of whom are independent. The members are as follows:-

Name	Directorship
Chairman: Chow Kee Kan @ Chow Tuck Kwan	Senior Independent Non-Executive Director
Members: Soon Eng Sing Chia Kuo Wui	Independent Non-Executive Director Non-Independent Non-Executive Director

In accordance with the Articles of Association of the Company, one third (1/3) of the Directors shall retire from office by rotation at each Annual General Meeting ("AGM") and may offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to election by the shareholders at the AGM held following their appointment(s). Following the implementation of the Companies Act, 2016 on 31 January 2017, there is no age limit for Directors.

The Nominating Committee has also developed criteria for the assessment of the Independent Directors annually; the training needs of Directors for continuous education purpose and expected time commitment of the Directors as well as protocols for the Board to accept new directorships.

The Nominating Committee is responsible to recommend candidate to the Board to fill vacancy arising from resignation, retirement or other reasons or if there is a need to appoint additional director with the required skill or profession to the Board in order to close the competency gap in the Board identified by the Nominating Committee. Upon receipt of the proposal, the Nominating Committee is responsible to conduct an assessment and evaluation on the proposed candidate. Upon completion of the assessment and evaluation of the proposed candidate, the Nominating Committee would make its recommendation to the Board. Based on the recommendation of the Nominating Committee, the Board would evaluate and decide on the appointment of the proposed candidate.

The appointment of new directors shall take into consideration the mix of knowledge, skill and expertise relevant to the activities of the Group, independence and boardroom diversity (gender, ethnicity and age diversity). The Board is aware of the gender diversity policy and its target as set out in Recommendation 2.2 of the Code. To date, the Board is still looking for suitable women candidate for appointment to the Board to reach the 30% female representation on the Board. The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the organisation. This includes the selection of Board members. In addition, the Group believes it is of utmost importance that the Board is comprised of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and is able to discharge its duties in the best interests of the Company and shareholders.

Statement on Corporate Governance (cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Nominating Committee (cont'd)

Members of the Nominating Committee would meet with potential candidates for the position of director to assess their suitability based on a prescribed set of criteria as set out in the Terms of Reference of the Nominating Committee. Potential candidates are required to declare and confirm in writing, amongst others, his/her time commitment, current directorships, that he/she is not an undischarged bankrupt, or is involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or is subject to any investigation by any regulatory authorities under any legislation. Further, candidates being considered for the position of independent directors are required to declare and confirm their independence based on the criteria set out in the MMLR.

Management would assist new Directors to familiarise themselves with the Group's structure and businesses by providing the Directors with relevant information about the Group. New Directors are also encouraged to undertake site visits and to meet with key senior executives.

The process of assessing the Directors is an on-going responsibility of the entire Board. The Board has put in place a formal evaluation process to annually assess the effectiveness of the Board as a whole and the Board Committees, as well as the contribution and performance of each individual Director, including the Independent Non-Executive Directors.

The criteria used, amongst others, for the annual assessment of an individual Director include an assessment of their roles, duties, responsibilities, competency, expertise and contribution whereas for the Board and Board Committees, the criteria used include composition, structure, accountability, responsibilities, adequacy of information and processes. In general, the assessment covers:-

- Individual board member's understanding of the Company's mission and strategic plan;
- Board members' understanding and knowledge of the Group's business and performance and application of good governance principles to create sustainable shareholder's value;
- Board function independently in the process of decision making;
- In the case of independent non-executive directors, the members' ability to discharge such responsibilities / functions as expected from independent non-executive directors and whether the member has any conflict of interest with the Company.

The Nominating Committee meets at least once a year with additional meetings to be convened, if necessary. During the financial year under review, the Nominating Committee had met two (2) times to carry out the following key activities:

- a) reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;
- b) evaluated the performance and effectiveness of the Board and of each individual director;
- c) evaluated the performance and effectiveness of the Audit Committee and each of its members;
- d) identified the training needs of Directors for continuous education;
- e) assessed and evaluated the suitability of the proposed candidate, namely Y.Bhg. Prof Datuk Dr. Choo Yeang Keat as Director of the Company based on the criteria as set out in the Terms of Reference of the Nominating Committee and upon obtaining the declaration and confirmation in writing on amongst others, his time commitment and other requisite requirements and recommended to the Board of Directors the appointment of Y.Bhg. Prof Datuk Dr. Choo Yeang Keat as a director;

Statement on Corporate Governance (cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Nominating Committee (cont'd)

- f) assessed and recommended to the Board the re-election of the Directors who are due for retirement pursuant to Article 102(1) of the Company's Articles of Association, to be tabled to the shareholders at the forthcoming AGM; and
- g) assessed and recommended to the Board the re-appointment of the Director who is over the age of seventy (70) years, Mr Tan Kai Hee, whose term of office will end at the conclusion of the 42nd AGM, to be tabled to the shareholders at the forthcoming AGM. Following the implementation of the Companies Act, 2016 on 31 January 2017, there is no age limit for Directors.

In addition to the annual assessment of Independence, both Nominating Committee and the Board have carried out a separate assessment on the independence of Y.Bhg. Datin Sunita Mei-Lin Rajakumar. Her tenure of office as an Independent Non-Executive Director of the Company will be nine (9) years cumulatively by 5 January 2018. In applying the recommendation under the MCCG 2012, the Board has assessed and with the recommendation of the Nominating Committee would strongly recommend to the members of the Company to vote in favour of the resolution for Y.Bhg. Datin Sunita Mei-Lin Rajakumar to continue to act as an Independent Non-Executive Director. This is because she has demonstrated throughout the term of her office to be independent not only by the mere fulfillment of the criterion under the definition of an Independent Director in the MMLR of Bursa Securities but subjectively too by exercising independent judgment when a matter is put before her for a decision. She also has the necessary knowledge of the business and operations of the Group and has the experience to make informed decision and to participate actively and contribute positively during deliberations or discussions at Board meetings. Y.Bhg. Datin Sunita also possesses strong knowledge in the practice of good corporate governance.

In respect of the assessment for the financial year ended 30 April 2017, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director, is satisfactory. The Board was also satisfied that the Board's composition in terms of size, the balance between Executive, Non-Executive and Independent Directors and mix of skills was adequate.

Remuneration Committee

The Remuneration Committee is principally responsible for setting the policy framework and for making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors and key Senior Management.

The remuneration packages of the Executive Directors and key Senior Management have been structured to attract and retain Directors and key Senior Management of right calibre to manage the Group effectively. The recommendation of remuneration for the Executive Directors and key Senior Management is measured by amongst others, the Directors' contribution, commitment, responsibilities and expertise. The rewards are linked to corporate and individual performance which comprised of both quantitative and qualitative targets. The Executive Directors excuse themselves from deliberation on their own remuneration at Board meetings.

In the case of Non-Executive Directors, the remuneration philosophy is to establish a remuneration structure that commensurates with the leadership, contribution, experience and level of responsibilities taken by a particular Non-Executive Director.

Statement on Corporate Governance (cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Remuneration Committee (cont'd)

The Remuneration Committee comprises the following members, a majority of whom are Non-Executive Directors:-

Name	Directorship
Chairman: Chow Kee Kan @ Chow Tuck Kwan	Senior Independent Non-Executive Director
Members: Tan Keng Kang Soon Eng Sing	Group Managing Director Independent Non-Executive Director

During the financial year ended 30 April 2017, the Remuneration Committee held three (3) meetings. The Remuneration Committee has reviewed the remuneration package of the Executive Directors and key Senior Management staff based on Key Performance Indicators and performance appraised by the Group Managing Director before making its recommendation to the Board for its consideration and approval.

The respective Director shall abstain from deliberating and voting on his/her own remuneration at the Board and Remuneration Committee meetings.

The Directors' fees, both Executive and Non-Executive would be tabled to the shareholders for approval at the forthcoming AGM.

Directors' Remuneration

The details of the remuneration of Directors for the year ended 30 April 2017 are as follows:

Company

Directors	Directors' Fees (RM)	Emoluments (RM)	Benefit-In-Kinds (RM)	Total (RM)	Percentage (%)
Executive Directors	60,000	1,657,935	51,726	1,769,661	69.69
Non-Executive Directors*	110,833	658,677	-	769,510	30.31
Grand Total	170,833	2,316,612	51,726	2,539,171	100.00

* include the remuneration of a Non-Executive Director who passed away during the financial year

Group

Directors	Directors' Fees (RM)	Emoluments (RM)	Benefit-In-Kinds (RM)	Total (RM)	Percentage (%)
Executive Directors	110,000	3,446,184	51,726	3,607,910	82.35
Non-Executive Directors*	114,833	658,677	-	773,510	17.65
Grand Total	224,833	4,104,861	51,726	4,381,420	100.00

* include the remuneration of a Non-Executive Director who passed away during the financial year

Statement on Corporate Governance (cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Directors' Remuneration (cont'd)

The aggregate remuneration of Directors of the Company and on a Group basis which fall within the following bands are as follows: -

Range of Remuneration	Executive Directors		Non-Executive Directors*	
	Company	Group	Company	Group
Less than RM 50,000	-	-	1	1
RM 50,001 – RM 100,000	-	-	3	3
RM 100,001 – RM 150,000	-	-	2	2
RM 200,001 – RM 250,000	-	-	1	1
RM 300,001 – RM 350,000	1	-	-	-
RM 650,001 – RM 700,000	1	-	-	-
RM 750,001 – RM 800,000	1	-	-	-
RM 800,001 – RM 850,000	-	1	-	-
RM 900,001 – RM 950,000	-	1	-	-
RM 1,850,001 – RM 1,900,000	-	1	-	-

* include the remuneration of a Non-Executive Director who passed away during the financial year

Saved as disclosed above, there were no other remuneration paid for services rendered by any director to the Company and the Group for financial year ended 30 April 2017.

Employees' Share Option Scheme

The shareholders of the Company had at its Extraordinary General Meeting held on 15 March 2017 approved the establishment of an Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of shares issued in Hai-O (excluding treasury shares) at any one time during the duration of the ESOS for eligible employees and directors of Hai-O and its subsidiaries (excluding subsidiaries which are dormant) ("Scheme").

The ESOS was effective since 3 May 2017. The ESOS Committee comprises of four (4) Directors, three (3) of whom are Executive Directors and one (1) Independent Non-Executive Director.

Name	Directorship
Chairman: Tan Kai Hee	Group Executive Chairman
Members: Chow Kee Kan @ Chow Tuck Kwan Tan Keng Kang Hew Von Kin	Senior Independent Non-Executive Director Group Managing Director Group Executive Director cum Chief Financial Officer

The head of Group Human Resource department and Group Corporate & Finance Management were authorised and appointed to assist in the implementation and to administer the Scheme in accordance with the By-Laws. The Company has upon the recommendation by the ESOS committee, offered a total of 2,200,000 ESOS options to the eligible directors and employees of Hai-O and its subsidiaries on 3 July 2017 in accordance with the terms of the ESOS By-Laws.

The ESOS allocation shall take into consideration, amongst others, the factors such as, the eligible Person's designation, length of service, employment grade, work performance and/or such other factors as the ESOS Committee may in its absolute discretion deem fit, and subject to terms and conditions as set forth in the ESOS By-Laws.

Statement on Corporate Governance (cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Employees' Share Option Scheme (cont'd)

The ESOS Committee shall ensure that the allocation of the new Shares pursuant to the Scheme would be verified by the Audit Committee at the end of each financial year.

Principle 3 - Reinforce Independence

There is also a clear distinction of responsibilities between the Group Executive Chairman and the Group Managing Director to maintain a balance of authority and accountability. The Group Executive Chairman provides overall leadership to the Board and is primarily responsible for orderly conduct and function of the Board to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates the discussion. The Group Managing Director is principally responsible to implement and execute corporate strategies, policies and decision adopted by the Board as well as oversees the overall business operations.

The Board recognises the importance of independence and objectivity in the decision making process. The Independent Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing with any companies within the Group. They play a significant role in providing unbiased and independent views, advice and judgement taking into account the interest of relevant stakeholders including minority shareholders of the Company.

The Board is aware of the recommended tenure of an Independent Director should not exceed a cumulative term of nine (9) years as recommended by MCCG2012 and that an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of nine (9) years tenure. Furthermore, the Board with the recommendation of the Nominating Committee must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as Independent after the respective Independent Director has served a cumulative term of nine (9) years.

The Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age. Their long service should not affect their independence as they are independent minded and they continue to provide the necessary check and balance in the best interest of the Company. The Independent Directors have each provided an undertaking to Bursa Securities upon their appointment confirming and declaring that they are "independent directors" as defined under paragraph 1.01 of the MMLR. The Board agreed that ultimately the Independent Directors themselves are the best persons to determine whether they can continue to bring independent and objective judgement to Board deliberations.

For the financial year ended 30 April 2017, each of the Independent Non-Executive Directors had provided their annual confirmations of independence to the Board based on the Company's criteria of assessing independence in line with the definition of "independent directors" prescribed by the MMLR. The Board had assessed and concluded that the four (4) Independent Non-Executive Directors of the Company, Chow Kee Kan @ Chow Tuck Kwan, Y. Bhg. Datin Sunita Mei-Lin Rajakumar, Tan Kim Siong and Soon Eng Sing continue to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

The Board's composition represents a mix of knowledge, skill and expertise relevant to the activities of the Group. A brief profile of each Director is presented on pages 10 to page 14.

Principle 4 - Foster Commitment of Directors

Time Commitment and Protocols for Accepting New Directorship

The Board meets at least quarterly with additional meetings convened as and when as necessary. Board meetings for each financial year are scheduled in advance to enable the Directors to allocate time for such meetings.

Statement on Corporate Governance (cont'd)

Principle 4 - Foster Commitment of Directors (cont'd)

Time Commitment and Protocols for Accepting New Directorship (cont'd)

The Board obtains this commitment from Directors at the time of appointment and this is assessed by Nominating Committee annually. In fostering the commitment of the Board that the Directors devote sufficient time to carry out their responsibilities, the Directors are required to notify the Chairman before accepting any new directorships and such notifications shall include an indication of time that will be spent on the new appointments. The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company. All Directors hold not more than five (5) directorships each in public listed companies.

Directors' Training

The Board acknowledges that continuous education is essential for its members to gain insight into the state of economy, technological advances, regulatory updates and management strategies. All Directors have completed the Mandatory Accreditation Programme (MAP) in accordance with the MMLR.

All Directors have attended various training programmes, seminars, workshop and/or briefings during the financial year. The following are the training programmes, seminars, workshops and briefings attended by Directors during the financial year 2017:-

No.	Training Topics	TKH	TKK	HVK	KK Chow	Datin Sunita	CKW	TKS	SES	Datuk CYK
1.	Mandatory Accreditation Program (MAP)		√	√						√
2.	Breakfast Series with Directors "The Strategy, The Leadership, the Stakeholders and the Board" by Bursa Malaysia					√				
3.	Using Coaching Moments to achieve Greater Results		√	√						
4.	Paving The Way Ahead by Boardroom Corporate Services					√				
5.	Corporate Tax Management Principle & Practices			√						
6.	Distinguished Board Leadership Series – "Effective Board Evaluation" by Ms Beverly Behan of FIDE Forum					√				
7.	Breakfast Series for Directors "Future of Auditor Reporting – The Game Changer for Boardroom" by Bursa Malaysia					√				
8.	Understanding the New Company Bill & E-Commerce by Direct Selling Association of Malaysia			√						
9.	Advocacy Sessions on Management – Discussion and Analysis for CEO & CFO by Bursa Malaysia			√						

Statement on Corporate Governance (cont'd)

Principle 4 - Foster Commitment of Directors (cont'd)

Directors' Training (cont'd)

No.	Training Topics	TKH	TKK	HVK	KK Chow	Datin Sunita	CKW	TKS	SES	Datuk CYK
10.	Board Chairman Series, Leadership Excellence From The Chair by Bursa Malaysia					√				
11.	Global Innovators' Roundtable with Professor Michael J Lenox, Darden School of Business, University of Virginia								√	
12.	Companies Act 2016 & Corporate Governance by Boadroom Corporate Services	√	√	√	√	√	√	√		
13.	Khazanah Global Lectures – Caring for the Earth: Reasons for Hope by Dr Jane Goodall of Khazanah					√				
14.	Empowering Women Series for Women Leaders in Senior Management by Bursa Malaysia					√				
15.	DiG (Discovery Innovation Growth) Business Simulation Certification, Professor Jean-Claude Larreche								√	
16.	Joining the Dots – the new Future of CFOs (panellist) by MIA & CIMA					√				
17.	CG Breakfast Series with Directors – Anti-corruption & Integrity – Foundation of Corporate Sustainability by Bursa Malaysia						√			
18.	The velocity of Global change and sustainability – The New Business Model for Directors & CEO by Bursa Malaysia					√				
19.	ACCA Malaysia Sustainability Reporting						√			
20.	Bursa Malaysia's Sustainability Forum 2017						√			
21.	How to handle tricky media questions and turn press conferences & interviews to your advantage by Meridian Communications			√						
22.	ETP – Growing the Economy and Sustainability by Nomura					√				
23.	Invest ASEAN 2017 by Malayan Banking Berhad					√				
24.	Sustainable Development in Malaysia by ISIS Malaysia					√				

Statement on Corporate Governance (cont'd)

Principle 4 - Foster Commitment of Directors (cont'd)

Directors' Training (cont'd)

No.	Training Topics	TKH	TKK	HVK	KK Chow	Datin Sunita	CKW	TKS	SES	Datuk CYK
25.	Breakfast Talk with ACGA: CG Watch 2016 – Ecosystems Matter by ASEAN Corporate Governance Association (ACGA), The Iclif Leadership and Governance Centre (Iclif) and Malaysian Directors Academy (MINDA)					√				
26.	Leadership Development in a Digital World, Harvard Business Publishing								√	

Note: TKH (Tan Kai Hee), TKK (Tan Keng Kang), HVK (Hew Von Kin), KK Chow (Chow Kee Kan @ Chow Tuck Kwan), Datin Sunita (Datin Sunita Mei-Lin Rajakumar), CKW (Chia Kuo Wui), TKS (Tan Kim Siong), SES (Soon Eng Sing) and Datuk CYK (Y. Bhg. Prof. Datuk Dr. Choo Yeang Keat).

The Directors are encouraged to participate in other relevant training programmes to further enhance their knowledge and skills in discharging their responsibilities more effectively.

Principle 5 - Uphold integrity in financial reporting by the Company

Compliance with applicable financial reporting standards

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, as well as through quarterly announcement of its results to shareholders. These financial statements are drawn-up in accordance with the Companies Act, 2016, the MMLR, the International Financial Reporting Standards and the Malaysian Financial Reporting Standards, and are reviewed by the Audit Committee prior to approval by the Board. The annual financial statements are subjected to audit by an independent external auditor.

The Board, with the assistance of the Audit Committee, takes due care and reasonable steps to ensure that its quarterly and annual financial statements are presented in an accurate manner. The Audit Committee when reviewing the financial statements, also require among others, to focus on significant matters highlighted in the financial statements and significant judgments, estimates or assumptions made by the Management.

The Board is responsible to ensure that financial statements of the Company gives a true and fair view of the state of the Company and of the Group as the end of the reporting period and their results and cash flows for the period then ended. Accordingly, the Board has prepared the responsibility statements pursuant to the MMLR as outlined on page 62 of this Annual Report.

The Audit Committee, comprised wholly of Non-Executive Directors, all of whom are Independent. The composition of the Audit Committee, including its roles and responsibilities are set out on pages 41 to 46 of this Annual Report

Assessment on suitability and independence of External Auditors

Through the Audit Committee, the Board has established a transparent and professional relationship with the Company's internal and external auditors.

Statement on Corporate Governance (cont'd)

Principle 5 - Uphold integrity in financial reporting by the Company (cont'd)

Assessment on suitability and independence of External Auditors (cont'd)

The Company's independent external auditors fill an essential role for the shareholders by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements. In the course of audit of the Group's financial statements, the external auditors would highlight to the Audit Committee and the Board, matters that require the Board's attention. Audit Committee meetings are attended by the external auditors for purposes of presenting their audit plan and report and for presenting their comments on the audited financial statements. At least twice a year, these meetings are held without the presence of the Management of the Company to ensure that the external auditors can freely discuss and express their opinions on any matter to the Audit Committee, and the Audit Committee can be sufficiently assured that Management has fully provided all relevant information and responded to all queries from the external auditors.

In addition, the external auditors are invited to attend the AGM of the Company and are required to be available to answer shareholders' questions on the conduct of the statutory audit and contents of their audit report.

The Audit Committee shall carry out annual assessment on the performance of the external auditors, on the suitability and independence of the external auditors on the following areas:

- (a) Service quality;
- (b) Sufficiency of resources;
- (c) Communication with the Management; and
- (d) Independence, Objectivity and Professionalism.

The Audit Committee has also taken note of the non-audit services and the fees charged thereto by the external auditors. The policy on audit and non-audit services is guided by the following principles: -

- (a) the auditors may provide audit and non-audit related services that, while outside the scope of the statutory audit, are consistent with the role of auditors;
- (b) the external auditors should not provide services that are perceived to be materially in conflict with the role of auditors. However, the external auditors may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditors; and
- (c) exceptions may be made to the policy where the variation is in the interest of Hai-O and arrangements are put in place to preserve the integrity of the external audit process. The Board must specifically approve any such exception.

Before appointing the external auditors to undertake a non-audit service, considerations should be given to whether this would create a threat to the external auditors' independence or objectivity. The external auditors should not be appointed unless appropriate safeguards are present to eliminate or reduce the threat to an acceptable level. The external auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services.

The Audit Committee has assessed the independence of KPMG PLT as the External Auditors of the Company as well as reviewed the level of non-audit services rendered by them and considering the quantum of the fee which was not material as compared with the total audit fee paid to the external auditors, has recommended to the Board and concluded that the provision of such services did not compromise the external auditors' independence and objectivity.

The External Auditors, KPMG PLT have declared to the Audit Committee their independence in carrying out the audit for the Group and comply with relevant ethical requirements at the Audit Committee meeting. Having satisfied with the performance, technical competency and audit independence, the Audit Committee recommended their fees and suitability for re-appointment to the Board.

The Audit Committee met with the External Auditors, four (4) times at the Audit Committee meetings held on 28 June 2016, 21 July 2016, 20 September 2016 and 28 March 2017 during the financial year ended 30 April 2017, out of which, the Audit Committee has allocated two sessions without the presence of the Executive Directors and Management at the Audit Committee meetings held on 21 July 2016 and 28 March 2017 respectively.

Statement on Corporate Governance (cont'd)

Principle 6 – Recognise and Manage Risks

Risk Management and Internal Control

Recognising the importance of risk management, the Risk Management Committee was established on 21 December 2011. The Board has formalised a structured risk management framework to determine the Company's level of risk tolerance, identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

The members of the Risk Management Committee are as follows:

Name	Directorship
Chairperson: Y.Bhg. Datin Sunita Mei-Lin Rajakumar	Independent Non-Executive Director
Members: Tan Keng Kang Hew Von Kin Chia Kuo Wui	Group Managing Director Group Executive Director cum Chief Financial Officer Non-Independent Non-Executive Director

The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control.

The system of internal control practised by the Hai-O Group spans over financial, operational and compliance aspects, particularly to safeguard the Hai-O Group's assets and hence shareholders' investments. The system of internal control, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The Board has also established an independent internal audit function that reports directly to the Audit Committee. The Group has outsourced certain aspects of the internal audit function to an external professional internal audit service provider, namely CGRM INFOCOMM SDN. BHD. The scope of work covered by the internal audit function during the financial year under review is provided in the Statement on Risk Management and Internal Control of this Annual Report.

Principle 7 – Ensure timely and high quality disclosure

Corporate Disclosure Policy & Procedure

The Group recognises the importance of transparency and accountability in the disclosure of the Group's business activities to its shareholders and investors. The Board has adopted a Corporate Disclosure Policy and Procedure for the Group which sets out, among others, the scope and extent of disclosure by the various parties within the organisation, timeliness of disclosure as well as assessment of materiality and if it is reasonably expected to have a material effect on the price, value or market activity of any of the Company's securities; or the decision of a member of the Company or an investor in determining his choice of action.

The shareholders and other stakeholders are kept informed of all major developments and performance of the Group through timely quarterly results announcements and various disclosure and announcements made to Bursa Securities via Bursa Link, press releases, Company's annual report and circular to shareholders, if applicable.

Leverage on Information Technology for effective dissemination of Information

Hai-O Group has also leveraged on information technology for broader and effective dissemination of information by established on Hai-O Corporate website under Investor Relations Section to provide all relevant information on corporate governance including all announcements, annual reports, financial highlights, corporate information, corporate calendar, dividends history, notice of general meetings, minutes of annual general meeting and others.

Statement on Corporate Governance (cont'd)

Principle 8 – Strengthen relationship between the Company and shareholders

Encourage shareholder participation at general meetings and poll voting

The Board recognises the importance of keeping the shareholders, stakeholders and the general public informed of the Group's business, performance and corporate development.

Additionally, the AGM and Extraordinary General Meeting, if applicable, of the Company provide shareholders with the opportunity to engage in candid dialogue and to seek and clarify any issues and to have a better understanding of the Group's business and performance. Voting for all resolutions as set out in notice of general meetings will be carried out by poll. Pursuant to paragraph 8.29A(2) of the MMLR, a scrutineer will be appointed to validate the votes at the general meeting. The person who is appointed as a scrutineer must be independent of the person undertaking the polling process and is not the employee or officer of the Group. In the case of the appointed scrutineer is interested in a resolution to be passed at the general meeting, the scrutineer must refrain from acting as scrutineer for that resolution and hence the Company will appoint any other person to be the scrutineer for that resolution. The Board also encourages shareholders' active participation at such meetings and members of the Board and the external auditors have been present and will be present at the AGM to address any query raised thereat.

Investor Relations

An Investor Relations Policy enables the Company to communicate effectively with its shareholders, prospective investors, stakeholders, fund managers, investment analysts and public generally with the intention of giving them clear picture of the Group's performance and operations. The Company has also maintained a dedicated electronic mail, ir@hai-o.com.my to which stakeholders can direct their queries.

However, any information that may be regarded as undisclosed material information about the Group will not be given to any shareholder or group of shareholders.

RESPONSIBILITY STATEMENT BY THE BOARD

The Directors are responsible in ensuring that the annual financial statements of the Group are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of Companies Act, 2016 and the MMLR.

They are to ensure that the annual financial statements of the Group gives a true and fair view of the state of affairs of the Group at the end of the financial year and the results and cash flows for the year then ended.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments, estimates and assumptions that are prudent and reasonable;
- ensured that applicable approved accounting standards are complied with;
- put in-place an internal control system to ensure the financial statements are free from material misstatements, whether due to fraud or error; and
- prepared the financial statements on a going concern basis.

The Directors are also taking reasonable steps to safeguard the assets of the Group as well as to prevent and detect other irregularities.

This Statement on Corporate Governance is made in accordance with the resolution of the Board dated 8 August 2017.