

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7668
COMPANY NAME : HAI-O ENTERPRISE BERHAD
FINANCIAL YEAR : April 30, 2018

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 is collectively responsible for the proper stewardship of the Group's business in achieving the objectives and long-term goals of the Company. The functions, roles and responsibilities of the Board are set out in the Board's Charter.</p> <p>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 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 a 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.</p> <p>To ensure the effective discharge of its function and responsibilities, the Board delegates 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 are present at the Board Committees' meeting to provide additional insight on matters to be discussed during the said Committee meetings, if so required.</p>

	<p>The Board, assisted by the respective Board Committees, is responsible for, amongst others, the following:</p> <ul style="list-style-type: none"> • Reviewing and adopting a strategic plan for the Group, taking into account the sustainability of the business of the Group with attention given to the environmental, economic and social aspects of the operations; • 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 Relation’s policy for the Company; • Reviewing the adequacy and 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 expenditure; • Assessing on an annual basis the effectiveness of the Board, Board Committees and individual Directors, including Senior Management; • Reviewing the term of office and performance of the Board Committees and each of its members in accordance to their respective terms of office. <p><u>Succession Planning</u></p> <p>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 available due to retirement, resignation, death or disability and new business opportunities.</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. Tan Kai Hee is the Chairman of the Group who is responsible for ensuring the smooth and effective functioning of the Board. His duties include: -</p> <ul style="list-style-type: none"> • 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; • facilitating active discussion and participation by all Directors; and • ensuring that sufficient time is allocated to discuss all relevant issues at Board meetings.
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 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of the Group Executive Chairman and Group Managing Director are held by different individuals. 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.</p> <p>The Group Executive Chairman provides overall leadership to the Board and is primarily responsible for the 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.</p> <p>The Group Managing Director is principally responsible to implement and execute corporate strategies, policies and decisions adopted by the Board, building the Company's culture and values as well as to oversee the overall business operations. The Group Managing Director is also a spokesperson for the Company and maintaining effective relations with the key stakeholders.</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 Company Secretaries are members of the 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.</p> <p>In addition, the Board is also briefed and updated with the latest relevant regulatory requirements from time to time at the respective Board Meetings by the Company Secretary.</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>The Board is given the meetings schedule a year ahead at the start of each calendar year so that the Directors could plan ahead to allocate time for their attendance at such meetings.</p> <p>Notice of meetings set 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 or clarification on the matters to be deliberated at Board meetings.</p> <p>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 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.</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>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.</p> <p>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 the discharge of the Board's duties and responsibilities.</p> <p>The Board Charter spells out the governance structure, authority and reserved matters for the Board whilst that for the respective Board Committees is spelt out in their respective terms of reference.</p> <p>The Board Charter, Terms of Reference of Audit Committee, Nominating Committee and Remuneration Committee are available on the Company's website at www.hai-o.com.my under the Investor Relations section.</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 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 the Company's website at www.hai-o.com.my.</p> <p>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.</p> <p>The Group has also established an internal policy which is 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. The Internal Business Code is available on our internal portal which is accessible to all directors and employees.</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

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	The 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 the Company's website at www.hai-o.com.my under the Investor Relations section	
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	:	Applied
Explanation on application of the practice	:	<p>Our Board has ten (10) members, comprising three (3) Executive Directors and seven (7) Independent Non-Executive Directors. This complies with Paragraph 15.02 of the MMLR that requires at least one-third (1/3) of the Board to be Independent Directors as well as Practice 4.1 of the MCCG that requires at least half of the board to be independent directors. The independence composition of the Board is 70%, and 3 out of the 10 directors are women.</p> <p>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. They play a significant role in providing unbiased and independent views, advice and decision while taking into account the interest of relevant stakeholders including minority shareholders of the Company.</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 4.2

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

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

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	<p>Currently, there is no fixed-term limit for Independent Directors of the Company. The Board is aware of the good practice that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years 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 the nine (9) years' tenure. If the Board intends to retain the Director as Independent Director after the respective Independent Director has served a cumulative term of nine (9) years, the Board with the recommendation of the Nominating Committee must justify the decision and seek shareholders' approval at the general meeting.</p> <p>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 their tenure of service. Their long service should not affect their independence as they are independent minded and can continue to provide the necessary check and balance in the best interest of the Company.</p> <p>None of the Independent Non-Executive Directors have served for a cumulative term of nine (9) years except for Y. Bhg. Datin Sunita Mei-Lin Rajakumar for which the approval has been sought from the shareholders at the 42nd Annual General Meeting ("AGM") of the Company for her to retain office as an Independent Non-Executive Director.</p> <p>Y. Bhg. Datin Sunita's term of office as an Independent Non-Executive Director would expire at the conclusion of the forthcoming 43rd AGM scheduled to be held on 25 September 2018. Thereafter, she would be re-designated to Non-Independent Non-Executive Director.</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 4.3 - 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 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 and senior management.</p> <p>In addition, the Group believes that it is of utmost importance that the Board comprises 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.</p> <p>The Board's composition represents a mix of knowledge, skills and expertise relevant to the activities of the Group. Currently, the composition of the Board is as per the tables below: -</p> <table border="1"> <thead> <tr> <th>Current Board Composition</th> <th>No. of Directors</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Non-Independent (Executive)</td> <td>3</td> <td>30.00</td> </tr> <tr> <td>Independent (Non-Executive)</td> <td>7</td> <td>70.00</td> </tr> <tr> <td></td> <td>10</td> <td>100.00</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Gender Diversity</th> <th>No. of Directors</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>7</td> <td>70.00</td> </tr> <tr> <td>Female</td> <td>3</td> <td>30.00</td> </tr> <tr> <td></td> <td>10</td> <td>100.00</td> </tr> </tbody> </table> <p>A brief profile of each Director is presented on pages 9 to 13 of the 2018 Annual Report.</p>	Current Board Composition	No. of Directors	%	Non-Independent (Executive)	3	30.00	Independent (Non-Executive)	7	70.00		10	100.00	Gender Diversity	No. of Directors	%	Male	7	70.00	Female	3	30.00		10	100.00
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	10	100.00																								
Explanation for departure	:																									

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

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	During the year, the Nominating Committee has recommended two (2) female candidates who fit the criteria requirements for appointment to the Board. The appointment of the two (2) new directors has taken into consideration the mix of knowledge, skills and expertise relevant to the activities of the Group, independence and boardroom diversity (gender, ethnicity and age diversity).	
		Although the Company has no policy on gender diversity, the Board has met the gender diversity of 30% women directors with the appointment of Ms. Tan Beng Ling and Professor Hajjah Ruhanas Binti Harun to the Board.	
<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 4.6

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	For the newly appointed directors, Ms. Tan Beng Ling and Professor Hajjah Ruhanas Binti Harun, no other sources were used in identifying the additional directors as the newly appointed directors are very experienced in their respective fields and do not require further referrals or introduction from third party.
		The Board is open to utilizing independent sources to identify suitably qualified candidates where necessary.
<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 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee currently comprises exclusively of Independent Non-Executive Directors. 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 Independent Non-Executive Director
		The Chairman of the Nominating Committee, Chow Kee Kan @ Chow Tuck Kwan was designated as Senior Independent Non-Executive Director on 1 August 2016. The role of the Senior Independent Non-Executive Director amongst others includes taking the lead of succession planning, recommending appointment of board and committee members, annual review of board effectiveness, and assessment of the performance of each individual Director. The Senior Independent Non-Executive Director is also the point of contact for shareholders to convey their concerns.	
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	:	Applied
Explanation on application of the practice	:	<p>The process of assessing the Directors is an on-going responsibility of the entire Board.</p> <p>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, including the assessment on the effectiveness of the Board as a whole, the performance of each individual Director and the Board Committees, including the term of office and performance of the Audit Committee, Risk Management Committee, Remuneration 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.</p> <p>The criteria used, among others, for the annual assessment of individual Director include an assessment of their roles, duties, responsibilities, competency, expertise and contribution. For the Board and Board Committees, the criteria used include among others, composition, structure, accountability, responsibilities, adequacy of information and processes. In general, the assessment covers: -</p> <ul style="list-style-type: none">• 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 shareholders' value;• Board's independence in the process of decision making;• In the case of Independent Non-Executive Directors, the members' ability to discharge such responsibilities or functions as expected from Independent Non-Executive Directors and whether the member has any conflict of interest with the Company. <p>In line with Practice 5.1 of the MCCG, the questionnaires on the annual assessment of the effectiveness of the Board and individual directors have also been revised to include an evaluation of their:</p> <ul style="list-style-type: none">• willingness and ability to critically challenge and ask the right questions;• character and integrity in dealing with potential conflict of interest

	<p>situation, if any;</p> <ul style="list-style-type: none"> • commitment to serve the Company; and • confidence to stand up for a point of view. <p>In respect of the assessment for the financial year ended 30 April 2018 which was internally facilitated together with the external Company Secretary, 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.</p>	
<p>Explanation for departure</p>	<p>:</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>:</p>	
<p>Timeframe</p>	<p>:</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	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee is principally responsible for setting the policy framework and making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors and key Senior Management.</p> <p>The remuneration packages of the Executive Directors and key Senior Management have been structured to attract and retain Directors and key Senior Management of the 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 while rewards are linked to the Company's and individual's performance which comprise of financial, non-financial and operational targets. The Executive Directors excuse themselves from deliberation on their own remuneration at Board meetings.</p> <p>In the case of Non-Executive Directors, the remuneration philosophy is to establish a remuneration structure that commensurate with the seniority, experience, contribution, level of responsibilities and representation in Board Committees taken by a particular Non-Executive Director. The remuneration and benefits payable to the Non-Executive Directors would be tabled to the shareholders for approval at the forthcoming AGM.</p> <p>The Remuneration policies and procedures are periodically reviewed and made available together with its Terms of Reference on the Company's website at www.hai-o.com.my.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.2

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

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

Application	: Applied						
Explanation on application of the practice	<p>The Remuneration Committee was reconstituted on 16 April 2018. Presently, it comprises wholly of Non-Executive Directors, all of whom are Independent.</p> <table border="1"><thead><tr><th>Name</th><th>Directorship</th></tr></thead><tbody><tr><td>Chairman: Chow Kee Kan @ Chow Tuck Kwan</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>Members: Soon Eng Sing Chia Kuo Wui</td><td>Independent Non-Executive Director Independent Non-Executive Director</td></tr></tbody></table> <p>During the financial year ended 30 April 2018, the Remuneration Committee held two (2) 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.</p> <p>The respective Director shall abstain from deliberating and voting on his/her own remuneration at the Board and Remuneration Committee Meetings.</p> <p>The Directors' fees, both Executive and Non-Executive, would be tabled to the shareholders for approval at the forthcoming AGM.</p> <p>The Directors who are shareholders of the Company had abstained from voting at the previous 42nd AGM and shall abstain from voting at the forthcoming 43rd AGM on Resolutions pertaining to their Directors' fees, benefits and re-election of Directors.</p>	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 Independent Non-Executive Director
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 Independent Non-Executive Director						

	The Term of References of the Remuneration Committee is available on the Company's website at www.hai-o.com.my under the Investor Relations section.
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	:	The detailed disclosure on named basis for the remuneration of individual directors are set out on the Corporate Governance Overview Statement on pages 78 to 79 of the 2018 Annual Report.	
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the view that the disclosure would affect the competitiveness of the Group and talent retention. The Company has disclosed below the information from an alternative perspective which is intended to achieve a similar outcome.</p> <p>The Group presently has 3 senior management members (excluding Group Executive Directors) who report directly to the Group Managing Director (CEO) and hold the highest level of management responsibility of the respective business operations within the Group.</p> <p>The remuneration of the Senior Management is disclosed on an aggregate basis, taking into account salary, allowances, bonuses, incentives, employer's provident fund contribution, social security welfare contribution, benefits arising from ESOS allocations and other benefits-in kind.</p> <p>The remuneration of the aforesaid senior management amounted to RM1,287,943.00 in the financial year ended 30 April 2018 and the breakdown by types of remuneration is disclosed on page 79 on the Corporate Governance Overview Statement.</p> <p>The remuneration of senior management is determined in a similar manner as other management employees of the Group. This is based on their individual performance, the overall performance of the Company, inflation and benchmarked against other companies in Malaysia.</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

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	:	<p>The Chairman of the Audit Committee (AC) and the Chairman of the Board are held by different persons.</p> <p>The AC comprises wholly of Non-Executive Directors, all of whom are Independent. The composition of the AC, including its roles and responsibilities are set out on pages 63 to 68 of the 2018 Annual Report.</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 8.2

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 Group has always recognised the need to uphold independence. None of the AC members were former key audit partners.</p> <p>The AC has also put in place a policy and revised its Terms of Reference to include a cooling-off period of at least two years before a former key audit partner could be appointed as a member of the AC to safeguard the independence of the audit of the financial statements.</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>Through the AC, the Board has established a transparent and professional relationship with the Company's internal and external auditors.</p> <p>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 their audit of the Group's financial statements, the external auditors would highlight to the AC matters that require the Board's attention. AC meetings are attended by the external auditors for purposes of presenting their audit plan and report and 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 AC, and the AC can be sufficiently assured that Management has fully provided all relevant information and responded to all queries from the external auditors.</p> <p>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.</p> <p>The AC shall carry out assessment on the performance of the external auditors annually on the suitability and independence of the external auditors in the following areas:</p> <ul style="list-style-type: none">(a) Service quality;(b) Sufficiency of resources;(c) Communication with the Management; and(d) Independence, Objectivity and Professionalism. <p>The AC 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: -</p> <ul style="list-style-type: none">(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;

	<p>(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</p> <p>(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.</p> <p>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.</p> <p>The AC 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 after considering the quantum of the fee, which was not material as compared with the total audit fee paid to the external auditors, has concluded and recommended to the Board that the provision of such services did not compromise the external auditors' independence and objectivity.</p> <p>The External Auditors, KPMG PLT have declared to the AC their independence in carrying out the audit for the Group and their compliance with relevant ethical requirements at the AC meeting. Having been satisfied with their performance, technical competency and audit independence, the AC recommended their fees and suitability for re-appointment to the Board.</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 AC comprises wholly of Non-Executive Directors, all of whom are Independent. The composition of the AC, including its roles and responsibilities are set out on pages 63 to 68 of the 2018 Annual Report.

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 AC presently comprises four (4) Directors, all of whom are Independent Non-Executive Directors. A majority of the AC members possesses the requisite qualifications as stipulated under paragraph 15.09(1)(c) the MMLR of Bursa Securities.</p> <p>All members of the AC are financially literate as they keep themselves abreast with the latest developments in accounting and auditing standards and the impact to the Group through briefings by Management and external auditors as well as attending relevant external trainings.</p> <p>Based on the outcome of the evaluation carried out by the Nominating Committee, the Board was satisfied that the AC and each of its members have discharged their duties and responsibilities which contributed to the effectiveness of the AC.</p> <p>The terms of reference which include composition, authority, responsibilities, meetings and specific duties of the AC are disclosed and published on the Company's website at www.hai-o.com.my.</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 has formalised a structured risk management framework to determine the Company's level of risk tolerance and to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.</p> <p>The system of internal control practised by the Hai-O Group spans across 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.</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 risk management framework are set out in the Statement on Risk Management and Internal Control on pages 85 to 88 of the 2018 Annual Report.</p> <p>The Role & Responsibilities under the Risk Management Framework are as follows:</p> <table border="1" data-bbox="560 936 1390 2078"> <thead> <tr> <th data-bbox="560 936 839 1003">Authority Level</th> <th data-bbox="839 936 1390 1003">Role and Responsibilities</th> </tr> </thead> <tbody> <tr> <td data-bbox="560 1003 839 1395">Board of Directors</td> <td data-bbox="839 1003 1390 1395"> <ul style="list-style-type: none"> ▪ Approve and oversee the ERM Framework and internal control system, (incorporating Policies and Scope), including changes or additions. ▪ Responsible for determining the overall Group's level of risk tolerance and continuously review, assess and monitor the effectiveness and adequacy of the risk management and internal control system. </td> </tr> <tr> <td data-bbox="560 1395 839 1715">Audit Committee ("AC") and Risk Management Committee ("RMC")</td> <td data-bbox="839 1395 1390 1715"> <ul style="list-style-type: none"> ▪ Develop & implement the ERM Framework and internal control system. ▪ Review the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system. </td> </tr> <tr> <td data-bbox="560 1715 839 2078">Executive Risk Committee ("ERC")</td> <td data-bbox="839 1715 1390 2078"> <ul style="list-style-type: none"> ▪ Assist the RMC in overseeing risk management through its ERM framework. ▪ Ensure that Management and Risk Owners maintain an effective process to identify, evaluate and manage risk. ▪ Provide guidance and advice with respect of risk management and monitor risk across the key risk areas. </td> </tr> </tbody> </table>	Authority Level	Role and Responsibilities	Board of Directors	<ul style="list-style-type: none"> ▪ Approve and oversee the ERM Framework and internal control system, (incorporating Policies and Scope), including changes or additions. ▪ Responsible for determining the overall Group's level of risk tolerance and continuously review, assess and monitor the effectiveness and adequacy of the risk management and internal control system. 	Audit Committee ("AC") and Risk Management Committee ("RMC")	<ul style="list-style-type: none"> ▪ Develop & implement the ERM Framework and internal control system. ▪ Review the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system. 	Executive Risk Committee ("ERC")	<ul style="list-style-type: none"> ▪ Assist the RMC in overseeing risk management through its ERM framework. ▪ Ensure that Management and Risk Owners maintain an effective process to identify, evaluate and manage risk. ▪ Provide guidance and advice with respect of risk management and monitor risk across the key risk areas.
Authority Level	Role and Responsibilities								
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	<table border="1"> <tr> <td data-bbox="528 181 837 629"> <p>Management and Risk Owners of Operating Business Units</p> </td> <td data-bbox="837 181 1394 629"> <ul style="list-style-type: none"> ▪ Identify and prioritise risks and participate in the Company’s risk identification and assessment process. ▪ Ensure risks are identified, managed and regularly assessed and provide regular updates on risks as well as key indicators measuring the extent of the risks. ▪ Document the controls and processes to manage the risks of their respective functional areas. </td> </tr> </table>	<p>Management and Risk Owners of Operating Business Units</p>	<ul style="list-style-type: none"> ▪ Identify and prioritise risks and participate in the Company’s risk identification and assessment process. ▪ Ensure risks are identified, managed and regularly assessed and provide regular updates on risks as well as key indicators measuring the extent of the risks. ▪ Document the controls and processes to manage the risks of their respective functional areas.
<p>Management and Risk Owners of Operating Business Units</p>	<ul style="list-style-type: none"> ▪ Identify and prioritise risks and participate in the Company’s risk identification and assessment process. ▪ Ensure risks are identified, managed and regularly assessed and provide regular updates on risks as well as key indicators measuring the extent of the risks. ▪ Document the controls and processes to manage the risks of their respective functional areas. 		
<p>The Group’s system of internal control comprises of the following key elements: -</p> <ol style="list-style-type: none"> 1) An on-going process and framework for identifying, evaluating and managing significant risks faced by the Group which is in place for the year under review and up to the date of approval of this statement for inclusion in the annual report and reviewed by the Directors. 2) Clearly documented risk management principles, standard operating procedures and policies are regularly reviewed to meet operational needs and such documentation is communicated to employees. 3) The Board conducts quarterly reviews of the Group’s performance and financial position at its meetings to ensure that the Group’s overall objectives are achieved. At business units and divisional levels, the Management Team holds meetings on a regular basis to discuss, review, evaluate and resolve operational, financial and key management issues. 4) Management of each business unit is required to prepare annual budgets to be tabled to the Board for approval. Scheduled operational and management meetings are held to discuss and review business plans, budgets, financial and operational performances of the business units. 5) The Code of Ethics and Business Conduct (“Code of Conduct”) is implemented within the Group and each employee is contractually bound to abide by the Code of Conduct. This Code serves to guide all the employees to conduct themselves in the utmost professional manner in dealing with company matters. 6) A clearly defined delegation of responsibilities is set for Committees of the Board, the Management Team and business operating units, including assigning appropriate authority levels to the various divisions of the business. 			

	<p>7) Insurance coverage and physical safeguards over major assets (property, plant and equipment, investment properties and inventories) are in place to ensure that the assets of the Group are adequately covered against any mishap that may result in material losses to the Group.</p> <p>For detailed information, please refer the Statement on Risk Management and Internal Control on pages 85 to 88 of the 2018 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

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	:	Adopted						
Explanation on adoption of the practice	:	The Risk Management Committee was established on 21 December 2011. Presently, the Risk Management Committee consists of five (5) members, three (3) of whom are Independent Non-Executive Directors.						
		<table border="1"><thead><tr><th>Name</th><th>Directorship</th></tr></thead><tbody><tr><td>Chairperson: Y. Bhg. Datin Sunita Mei-Lin Rajakumar</td><td>Independent Non-Executive Director</td></tr><tr><td>Members: Tan Keng Kang Hew Von Kin Chia Kuo Wui Tan Beng Ling</td><td>Group Managing Director Group Executive Director cum Chief Financial Officer Independent Non-Executive Director Independent Non-Executive Director</td></tr></tbody></table>	Name	Directorship	Chairperson: Y. Bhg. Datin Sunita Mei-Lin Rajakumar	Independent Non-Executive Director	Members: Tan Keng Kang Hew Von Kin Chia Kuo Wui Tan Beng Ling	Group Managing Director Group Executive Director cum Chief Financial Officer Independent Non-Executive Director Independent Non-Executive Director
	Name	Directorship						
Chairperson: Y. Bhg. Datin Sunita Mei-Lin Rajakumar	Independent Non-Executive Director							
Members: Tan Keng Kang Hew Von Kin Chia Kuo Wui Tan Beng Ling	Group Managing Director Group Executive Director cum Chief Financial Officer Independent Non-Executive Director Independent Non-Executive Director							

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	:	<p>The Board has also established an independent internal audit function that reports directly to the AC.</p> <p>In addition to the In-house Group Internal Audit Department (“IAD”), the Group also engages the services of an outsourced internal auditor, CGRM INFOCOMM SDN. BHD. (“CGRM”) to complement the work of the IAD. The Group’s IAD and CGRM work alongside to continuously provide independent assessment on the adequacy, effectiveness and reliability of the Group’s risk management processes and system of internal controls. The internal audit function reviews compliance with policies and procedures and advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The IAD also conducts a follow up review on the implementation status of action plans previously agreed by Management.</p> <p>The internal audit plan for the In-house Group IAD and CGRM is approved by the AC on an annual basis. The results of the audits and recommendations for improvement co-developed with Management are tabled at the AC meetings for discussion and subsequent assessment. Key and significant risk issues were accelerated to the Risk Management Committee (“RMC”) for deliberation and subsequent monitoring of management actions. The key risks issues are reported to the Board by the Chairperson of the AC who is also the Chairperson of the RMC for further deliberation.</p> <p>The scope of work covered by the internal audit function during the financial year under review is provided on page 88 of the Statement on Risk Management and Internal Control of the 2018 Annual Report.</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 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 Head of Group Internal Audit, Ms. Wong Ngik Moi was appointed in March 2016. She is a member of Institute of Internal Auditors Malaysia and holds a Degree in Accounting. She has extensive knowledge and working experience in the internal audit field with exposure to various industries. The Head of Group Internal Audit is supported by two (2) internal audit executives. They are independent from the operational activities of the Group and they do not hold management authority and responsibility over the operations that internal audit covers in its scope of works.</p> <p>The co-sourced internal auditors, CGRM, has been engaged to provide internal audit services to the Group since October 2013. The CGRM team is led by six (6) professionals with qualifications in Certified Internal Auditor (CIA (USA)), Certified Risk Management Assessor (CRMA (USA)), Chartered Member of the Institute of Internal Auditors (CMIIA (USA)), Associate Member of the Association of International Accountants (AAIA (UK)), Bachelor (Hons) in Accounting and backed by working experience in essential fields on Corporate Governance, Risk Management and Internal Audit.</p> <p>CGRM has assessed the system of internal controls, where applicable, based on the principles of COSO Internal Controls - Integrated Framework (“COSO Framework”). The Committee of Sponsoring Organizations of the Treadway Commission based in USA (COSO) is a joint initiative of five private sector organizations and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The COSO principles outline five essential components of an effective internal control system, namely (i) Control Environment; (ii) Risk Assessment; (iii) Control Activities; (iv) Information and Communication; and (v) Monitoring.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p><u>Investor Relations</u></p> <p>An Investor Relations Policy enables the Company to communicate effectively with its shareholders, prospective investors, fund managers, investment analysts and public generally with the intention of giving them a clear picture of the Group's performance and operations.</p> <p>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 through Bursa Link, press releases, the Company's annual report and circular to shareholders, if applicable.</p> <p>The Company periodically organises briefings and meetings with analysts and fund managers and also facilitates communications through tele-conference to give stakeholders a better understanding of the businesses and development of the Group. The corporate presentations and interim financial highlights are made available at the Company's website at www.hai-o.com.my.</p> <p>To maintain a high level of transparency and to effectively address any issues or concerns, the Company maintains a dedicated electronic mail, ir@hai-o.com.my to which stakeholders can direct their queries for investor relations purpose.</p> <p><u>Corporate Disclosure Policy & Procedure</u></p> <p>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.</p>

	<p><u>Leverage on Information Technology for effective dissemination of Information</u></p> <p>The Hai-O Group has also leveraged on information technology for broader and effective dissemination of information and had established the Hai-O Corporate website, an Investor Relations Section to provide all relevant information including corporate governance, public announcements, annual reports, financial highlights, corporate information, corporate calendar, dividends history, notice of general meetings, minutes of annual general meeting and others.</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	:	The Company is not a large company as defined under the MCCG.	
<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 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of keeping the shareholders, stakeholders and the general public informed with the Group's business, performance and corporate developments. The AGM remains the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed and the business operations of the Group.</p> <p>The date of AGM of the Company is scheduled in September annually and is currently convened in a specified venue in the city of Kuala Lumpur and resolutions put forth are voted by the members personally at the said venue. Electronic voting is adopted to ensure accurate recording of votes and all resolutions will be put to vote by poll.</p> <p>The Notice of AGM will be served to the shareholders of the Company at least 28 days prior to the meeting.</p> <p>A summary of the minutes of general meeting(s) including the question and answer session is made available to the shareholders at the Company's website at www.hai-o.com.my.</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

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Directors are notified at the beginning of the calendar year of the scheduled meeting to ensure that all Directors are present to provide meaningful response to questions addressed to them. All Directors attended the 42nd AGM held on 25 September 2017.</p> <p>All Directors, together with the Senior Management team, external auditors and internal auditors are present at general meeting(s) to answer queries from the shareholders who participate in the Question and Answer session.</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

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>General Meetings are currently convened in a specified venue in the city of Kuala Lumpur and resolutions put forth are voted by the members personally at the said venue. Electronic voting is adopted to ensure accurate recording of votes and all resolutions will be put to vote by poll.</p> <p>The Company is consistently studying the infrastructure and facility required to leverage on technology to facilitate voting in absentia and remote shareholders’ participation at General Meetings should there be a requirement by a reasonable large number of shareholders, as recommended under Practice 12.3.</p>
		<p>The current approach of voting at the specified venue is the norm currently practiced by the listed issuers. Shareholders who are unable to participate at the general meetings could submit proxy forms to exercise their votes.</p>
<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	:	

**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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