



Hai-O Enterprise Bhd
Extraordinary General Meeting
Reply to Questions from
Minority Shareholders Watch Group (MSWG)



1. The ESOS Committee may at its sole and absolute discretion determine whether granting of the New ESOS Options to the Eligible Persons will be staggered over the duration of the Proposed New ESOS or in a single grant and/or whether the New ESOS Options will be subject to any vesting period and if so, to determine the vesting conditions including whether such vesting conditions are subject to performance targets, the determination of which will be carried out at a later date after the establishment of the Proposed New ESOS. (page 9 of Explanatory Statement/ Circular dated 27 April 2021)

Under what circumstances will the ESOS Committee allow the granting of New ESOS Options without being subject to any vesting period and performance targets?



Answer to Q1:

As the ESOS Options are intended to reward employees across all business operations, one of the key metrics will be based on their performance targets, both financial and non-financial related criteria.

For non-financial and non-quantitative criteria such as the employee's contribution to the Group's strategy and growth and business plan, the ESOS Committee may at their sole discretion waive the length of service and vesting period, if appropriate. Only selected key talents will be considered by the ESOS Committee as a form of recognition, attraction and retention tool to enable the Group to reward the deserving staff and the granting of ESOS Option to them without being tied to their length of service.



2. In line with better corporate governance, MSWG does not encourage the practice of giving options to independent non-executive directors (“INEDs”) as they are not executive management and as they are responsible for monitoring the option allocation to employees and executive directors. The very definition of ESOS i.e. Employees’ Share Option Scheme alludes to it being applicable to employees; independent directors are not employees.

Under the Proposed New ESOS allocation, there are six INEDs namely Ng Chek Yong, Tan Beng Ling, Soon Eng Sing, Chia Kuo Wui, Tan Kim Siong and Professor Hajjah Ruhanas Binti Harun who are eligible to participate in the Proposed New ESOS and subscribe for new BESHOM shares (Resolutions 5 to 10, Notice of EGM). The risk is that the independent directors may be fixated with their share price and this may affect their impartial decision-making, which should be made without reference to share price considerations.



2. a) Why is the Proposed New ESOS extended to the six INEDs since they do not perform executive roles; the directors' fee and other benefits they receive are supposed to be adequate to compensate the services rendered by them?



Answer to Q2(a):

The Proposed ESOS is extended to the INEDs as their contributions are significant to the Group in light of the responsibilities and liabilities inherent in their appointments, albeit in non-executive capacities. The INEDs provide valuable insight in board deliberations drawn from their experience and expertise as well as industry exposure and opinion to the Board, whilst at the same time carry out the important function of monitoring the performance of the Management. Our Group gains invaluable input and support from the INEDs in terms of internal control, corporate governance as well as their recommended best practices which form the foundation to protect the interests of all stakeholders. Their participation in the equity of our Company is not expected to impair their independence and level of commitment and contribution to the overall strategic direction of our Group, in particular in their area of industry expertise.



Continue Answer to Q2(a):

Although our INEDs would primarily continue to be remunerated for their services by way of directors' fees, it is desirable that our INEDs be allowed to participate in BESHOM's ESOS in recognition for their services and contributions. The options granted to them will not comprise (whether individually or collectively) a significant portion of the ESOS Options available under BESHOM's ESOS.

In addition, there will also be a retention period, imposed on the INEDs of the BESHOM Group in which they shall not sell, transfer or assign the BESHOM Shares obtained through the exercise of the ESOS Options offered to him/her within one (1) year from the Date of Offer.



Continue Answer to Q2(a):

It is important to note that the allocation of ESOS Options to the INEDs are also allowed under the Main Market Listing Requirements subject to approvals being obtained at a general meeting.

In addition, based on the past ESOS exercises undertaken on Bursa Securities, it is a common practice amongst other listed companies to award options to their INEDs as a token of appreciation and recognition of their contribution to the Board.



2. b) It is stated that the Proposed New ESOS is to reward, motivate and retain the Eligible Persons (including non-executive directors) for their contributions to the performance of BESHOM Group (page 15 of Explanatory Statement/Circular dated 27 April 2021).

What were the performance metrics adopted by the ESOS Committee to assess the eligibility of INEDs under the Existing ESOS? Are such metrics applicable to INEDs under the Proposed New ESOS?



Answer to Q2(b):

There were no performance metrics adopted by the ESOS Committee to assess the eligibility of the INEDs under the Existing ESOS. The ESOS Committee will be guided by the aspects of contribution and individual knowledge and experience, calibre and skill sets that the INEDs bring to the Company. It is the intention of the ESOS Committee to take the same approach under the Proposed New ESOS.



3. Given that all the nine directors are interested parties in the Proposed New ESOS (Resolution 2 to 10, Notice of EGM), who will be the members of the ESOS Committee which is tasked to assess the eligibility of the recipients and to decide on the number of New ESOS Options to be granted?



Answer to Q3:

The ESOS Committee will have the overall responsibility in administering the Proposed New ESOS, which will be implemented in accordance with the By-laws as well as the Main Market Listing Requirements.

The ESOS Committee will comprise the Managing Director, Executive Director, Independent Directors and representatives from Management who will assess the eligibility of the recipients and decide on the allocation of the ESOS Options based on individual KPIs, length of service, job performance and/or such other factors as the ESOS Committee deems fit. The respective ESOS Committee member will abstain from participating or be involved in the deliberations or discussions of their own eligibility and ESOS Options allocation.



Continue Answer to Q3:

The allocation of the ESOS Options under the Proposed New ESOS will also be verified by the Audit Committee in compliance with the eligibility and allocation criteria at the end of each financial year.



THANK YOU