

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 2016.

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. 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 and Risk Management Committee to oversee the Group's affairs in accordance with their respective Terms of Reference.

All proceedings, matters arising, deliberations, in terms of the issue 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 Chairmen of the said Committees, and reported to the Board. Upon invitation, Management representatives were present at the Board Committees' meeting to provide additional insight into matters to be discussed during the said Committee meetings, if so required. Management is accountable for the execution of the expressed policies and attainment of the Group's corporate objectives.

Clear roles and responsibilities

Besides its fiduciary duties, the Board is ultimately responsible for good corporate governance, including the setting of the Group's strategic direction, review of business plans, approval of annual budget, quarterly financial reports, major investments and strategic commitment, overseeing the proper conduct of the businesses, reviewing the adequacy and integrity of management information and internal control system and identify principal risks and ensuring the implementation of appropriate system to manage them, implementation of an investors relation programme and statutory matters. The Board is also responsible to ensure a clear succession plan for senior management is established.

The functions of 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. 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.

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 Managing Director.

Statement on Corporate Governance

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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 are taken into consideration. The Company's activities on corporate social responsibilities for the year under review are disclosed on pages 28 to 36 of this Annual Report.

Code of Ethics and Whistleblower Policy

The Board is committed to maintain a corporate culture which engenders ethical conduct. Ethical Standards are formalised through the Company's Code of Conduct and Business Conduct. The Whistleblower Policy is also in place, and states the appropriate communication and feedback channels to facilitate whistleblowing.

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 at such meetings.

The Board meets at least once in every three (3) months. During the financial year ended 30 April 2016, the Board met six (6) times with an average attendance record of 88%. Senior Management staff has been invited to attend the Board meetings to provide the Board with operational, management and financial details.

Relevant information and documents are provided to the Board members prior to the Board meetings to enable them to properly discharge their duties.

The Chairman of the respective Board Committees, namely, Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee were given time under a separate Agenda of each Board Meeting following their respective meetings to brief the Board of the salient matters deliberated at such Committee meetings and if necessary, recommends 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 advice whenever the need arises.

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.

Company Secretary

The Company Secretaries the qualified secretaries as required pursuant to the Companies Act, 1965. 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.

Statement on Corporate Governance

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

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 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 five (5) are Independent Directors. Thus, this complies with Paragraph 15.02 of the Listing Requirements of Bursa Securities that at least one-third (1/3) of the Board are Independent Directors.

The positions of Chairman and 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.

Nominating Committee

The Board has delegated to the Nominating Committee the responsibility to develop, 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: Professor Dr. Lee Kong Hung Soon Eng Sing Chia Kuo Wui	Independent Non-Executive Director 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 appointments. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Statement on Corporate Governance

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

Nominating Committee (cont'd)

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 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 target as set out in Recommendation 2.2 of the Code and is supportive of the gender boardroom diversity recommended by the MCCG2012. 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 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 criteria for evaluating board performance amongst others are:

- Individual board member's understanding of the Company's mission and strategic plan;
- Board members' understanding and knowledge of the Company's business and performance and application of good governance principles to create sustainable shareholder's value;
- Board functions independently in the process of decision making; and
- 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 in a year with additional meetings to be convened, if necessary. During the financial year under review, the Nominating Committee had met four (4) 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) identified the training needs of Directors for continuous education purpose;
- d) discussed the retirement of the ex-Chairman, Tan Sri Osman S. Cassim with acknowledgement of his invaluable contribution to the Group for the past 11 years;
- e) assessed and evaluated the suitability of the proposed candidates and recommended to the Board of Directors the appointment of the new director(s);
- f) recommended the appointment of Executive Chairman and Managing Director;
- g) reviewed and recommended to the Board the composition of the Board Committees;
- h) assessed and recommended to the Board the re-election of the Directors who are due for retirement pursuant to Article 102(1) and Article 109 of the Company's Articles of Association, to be tabled to the shareholders at the forthcoming AGM; and

Statement on Corporate Governance

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

Nominating Committee (cont'd)

- i) assessed and recommended to the Board the re-appointment of the Director who is over the age of seventy (70) years, pursuant to Section 129(6) of the Companies Act, 1965, to be tabled to the shareholders at the forthcoming AGM.

Directors' Remuneration

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 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	Managing Director, Non-Independent Independent Non-Executive Director

We have a formal remuneration policy and procedure in place to attract and retain our Directors. During the financial year ended 30 April 2016, 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 appraisal by the 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 Annual General Meeting ("AGM").

Statement on Corporate Governance (cont'd)

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

Directors' Remuneration (cont'd)

The details of the remuneration of Directors for the year ended 30 April 2016 are as follows:

Company

Directors	Directors' Fees	Emoluments (RM)	Benefit-In-Kinds (RM)	Total (RM)	Percentage (%)
Executive Directors	45,000	1,036,326	46,151	1,127,477	63.29
Non-Executive Directors*	105,000	543,461	5,400	653,861	36.71
Grand Total	150,000	1,579,787	51,551	1,781,338	100.00

* include the Non-Executives who resigned & retired during the financial year

Group

Directors	Directors' Fees	Emoluments (RM)	Benefit-In-Kinds (RM)	Total (RM)	Percentage (%)
Executive Directors	84,167	2,263,071	46,151	2,393,389	78.44
Non-Executive Directors*	109,000	543,461	5,400	657,861	21.56
Grand Total	193,167	2,806,532	51,551	3,051,250	100.00

* include the Non-Executives who resigned & retired during the financial year

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

Range of Remuneration	Executive Directors		Non-Executive Directors*	
	Company	Group	Company	Group
Less than RM 50,000	-	-	2	2
RM 50,001 – RM 100,000	-	-	3	3
RM 100,001 – RM 150,000	1	-	3	3
RM 150,001 – RM 200,000	-	1	-	-
RM 300,001 – RM 350,000	1	-	-	-
RM 450,001 – RM 500,000	-	1	-	-
RM 650,001 – RM 700,000	1	-	-	-
RM 1,750,001 – RM 1,800,000	-	1	-	-

* include the Non-Executives who resigned & retired 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 2016.

Statement on Corporate Governance

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Principle 3 - Reinforce Independence

There is also a clear distinction of responsibilities between the Chairman and the Managing Director to maintain a balance of authority and accountability. The 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 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 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 which 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. None of its Independent Directors has reached the nine (9) years cumulative term in 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 page 10 to page 13.

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.

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. Amongst the training programmes, seminars, workshops and briefings attended by Directors in financial year 2016 were as follows:-

- ▼ Valuation of Projects and New Ventures
- ▼ Effective Social Media Strategy for Business
- ▼ CG Breakfast Series with Directors – Bringing the Best Out in Board Rooms
- ▼ Ring the Bell for Gender
- ▼ Overseas Chinese Entrepreneurship Program – Business Development Strategies
- ▼ Crisis Management & Corporate Governance – Governance tools to help companies prevent and manage crisis
- ▼ Branding on the Go – Strategic Brand Building
- ▼ Understanding of ISO 9001: 2015
- ▼ 2016 Budget Review and Investment Outlook
- ▼ Staying Ahead on Global Transfer Pricing Developments

Statement on Corporate Governance (cont'd)

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

Directors' Training (cont'd)

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, 1965, 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 with accuracy. The Audit Committee when reviewing the financial statements, is also required among others, to focus on significant matters highlighted in the financial statements and significant judgments made by the Management. The Board is responsible to ensure that financial statements of the Company give a true and fair view of the state of affairs of the Company. Accordingly, the Board has prepared the responsibility statements pursuant to the Listing Requirements as outlined on page 50 of this Annual Report.

The Audit Committee, comprising wholly Non-Executive Directors, all of whom are Independent. The composition of the Audit Committee, including its roles and responsibilities are set out on pages 37 to 40 of this Annual Report.

Assessment of 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.

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.

The Audit Committee met with the external auditors, three (3) times at the Audit Committee held on 23 June 2015, 28 July 2015 and 17 March 2016 during the financial year ended 30 April 2016, 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 28 July 2015 and 17 March 2016 respectively.

The Audit Committee assesses the suitability and independence of the external auditors annually. The external auditors have declared to the Audit Committee their independence in carrying out the audit for the Group. The Audit Committee has also taken note of the non-audit services and the fees charged thereto by the external auditors and considering the quantum of the fee which was not material as compared with the total audit fee paid to the external auditors, has concluded that the provision of such services did not compromise the external auditors' independence and objectivity. Having satisfied with the performance, the Audit Committee recommends their fees and re-appointment to the Board.

The Audit Committee has assessed the independence of Messrs. KPMG as the External Auditors of the Company as well as reviewed the level of non-audit services rendered by them. The Audit Committee was satisfied with their technical competency and audit independence and has obtained assurance from the External Auditors confirming that they are independent and comply with relevant ethical requirements.

Statement on Corporate Governance

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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: Datin Sunita Mei-Lin Rajakumar	Independent Non-Executive Director
Members: Tan Keng Kang Hew Von Kin Chia Kuo Wui	Managing Director, Non-Independent Non-Independent Executive Director 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

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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, 1965 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 2 August 2016.