



HAI-O ENTERPRISE BERHAD
(22544-D)



Extraordinary General Meeting 15 March 2017



Reply to Questions from Minority Shareholder Watchdog Group (MSWG)

Corporate Governance

1) In line with good corporate governance practices, MSWG does not encourage the practice of giving option to non-executive directors as they play the governance role in the Company and are responsible in monitoring the option allocation to employees and executive directors.

Under the Proposed Allocations, we noted the non-executive directors are also eligible to subscribe for new shares in the Company.

(i) Could the Board provide the rationale for allocating the option to non-executive directors?

Answer to (i):

We take note of MSWG's opinion on the above.

The Proposed ESOS is also extended to the non-executive Directors as the Company would like to recognise the contributions of the non-executive Directors towards the growth and performance of our Group. Our Group gains invaluable input and support from the non-executive Directors in terms of internal control, corporate governance as well as best management practices which form the foundation to protect the interests of all stakeholders. Their participation in the equity of our Company is expected to enhance their level of commitment and contribution to the overall strategic direction of our Group, in particular in their line of expertise respectively.

Answer to (i) (cont'd):

While we recognise there may be perceived conflict of interest in respect of non-executive Directors' participation in the ESOS, we also take into account that Main Market Listing Requirements of Bursa Securities ("MMLR") permits the allocation of ESOS Options to the non-executive Directors subject to approvals being obtained at a general meeting.



(ii) How would the Board ensure that the issue of conflict of interest is addressed if the non-executive directors are also the recipients under the scheme when presiding and deliberating on such allocations under the option scheme?

Answer to (ii):

The ESOS Committee has the overall responsibility of administering the ESOS. The ESOS will be implemented in accordance with the By-Laws and guided by the MMLR.

All Directors (including the non-executive Directors) will have to abstain and will continue to abstain from all deliberations and voting at Board meetings and the EGM on the proposed allocation of the ESOS Options to themselves as well as to persons connected with them. They will also ensure that the persons connected with them abstain from voting in respect of their direct or indirect shareholdings (if any) in our Company on the resolutions pertaining to the Proposed Allocations at the EGM.

Answer to (ii) (cont'd):

In the event the Eligible Person is a member of the ESOS Committee, such Eligible Person will not participate in the deliberation or discussion in the allocation of ESOS Options to himself/herself or to person(s) connected with him/her, if any.

With the above measures, the Board is confident that the perceived conflict of interest in respect of allocation of ESOS Options to the non-executive Directors will be addressed appropriately.



(iii) How is the monitoring process under the option scheme?

Answer to (iii):

The Company had in the past administered an ESOS. The last ESOS implemented by the Company was in 1999 which expired in 2008. With the Company's past experience in administering ESOS, the Board is confident that there will be sufficient measures in monitoring the option scheme, including the following:

- The ESOS will be implemented and administered by ESOS Committee consisting of persons appointed by the Board. The Board shall from time to time evaluate the performance of the ESOS Committee members to ensure that the ESOS Committee function effectively and is vested with such powers and duties as conferred upon them by the Board.

Answer to (iii) (cont'd):

- The ESOS Committee will make allocations based on a set of eligibility and allocation criteria approved by the Board, which will be made available to all Eligible Persons.
- The ESOS Committee is required to report the status of ESOS to the Board at the Board meeting to be convened following any new Offer.
- The allocations of ESOS Options under the Proposed 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

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