

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is pleased to present to the Shareholders the Corporate Governance ("CG") Overview Statement of the Company. This CG Overview Statement should be read in conjunction with the CG report, which is available on the Company's website at www.hai-o.com.my. The CG Report provides details on how the Company has applied each Practice as set out in the Malaysian Code on Corporate Governance ("MCCG") during the financial year ended 30 April 2018 and up to the date of this Report.

The Board recognises the importance of the MCCG and is committed towards achieving high standard of corporate governance practices, values and ethical business conducts. Corporate governance practices shall be the fundamental aspect in the Group's business dealings and culture.

The CG Overview Statement reports on how the Group has applied the 3 principles, its key focus areas and future priorities with references to the principles and practices of the MCCG, having considered the Group's structure, business environment and industry practices:

- a) Board Leadership and Effectiveness;
- b) Effective Audit and Risk Management; and
- c) Integrity in Corporate Reporting and meaningful Relationship with Stakeholders.

The Board is satisfied that the practices set out in the MCCG have, in all material aspects, been applied to achieve their intended outcomes which are found to be suitable and appropriate to the Group as set out in this Statement and the CG Report. The departures and non-adoptions under the MCCG include the following:

- Practice 4.3 Step Up: Policy which limits the tenure of its independent directors to nine years.
- Practice 4.5: The Board discloses the Company's policies on gender diversity, its targets and measures to meet those targets.
- Practice 4.6: The Board utilises independent sources to identify suitably qualified candidates.
- Practice 7.2 & Practice 7.3 Step Up: The Board discloses on a named basis the top five (5) senior management's remuneration.
- Practice 12.3: Company with large number of shareholders or which have meetings in remote locations should leverage technology to facilitate voting in absentia and remote shareholders' participation at general meetings.

The explanation for the departures, the Company's intended actions and timeframe to address the departure are disclosed in the CG Report.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Part 1 - Board Responsibilities

Intended Outcome 1.0

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.

Intended Outcome 2.0

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.

The Board

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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.

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

- 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.

Succession Planning

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

The Chairman

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 providing leadership to the Board, ensuring that the Board carries out its responsibilities in the best interest of the Company and that all the key issues are discussed in a timely manner. The Chairman is also tasked to facilitate active discussion and participation by all Directors and ensuring that sufficient time is allocated to discuss all relevant issues at Board meetings.

Company Secretary

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.

Board Charter

To enhance accountability, the Board Charter which clearly sets out the roles, functions, composition, operation and processes of the Board was developed and replaced the Directors Handbook which was established in 2010. The Board Charter clearly sets out the roles and responsibilities of the Board and Board Committees, function of the Board and those delegated to Management, the processes and procedures for convening their meetings and the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company. The Board Charter will be periodically reviewed and updated to take into consideration the needs of the Company as well as any development in relevant rules, regulations and laws that may impact the discharge of the Board's duties and responsibilities.

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.

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.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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 to allocate time for their attendance at such meetings.

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.

The Board meets at least once in every three (3) months. During the financial year ended 30 April 2018, the Board met five (5) times with an average attendance record of 95%. Senior Management staff were invited to attend the Board meetings to provide the Board with operational, management and financial details. The details of Directors' attendances during the financial year 2018 are set out on page 90 of this Annual Report.

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

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

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.

Time Commitment and Protocols for accepting new directorship

The Board meets at least quarterly with additional meetings convened as and when 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 the Nominating Committee annually. In any circumstances, the Directors must not hold more than five (5) directorships in public listed companies in accordance with the Main Market Listing Requirements of Bursa Securities ("MMLR").

Intended Outcome 3.0

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.

Code of Ethics and Whistleblower Policy

The Board is committed to maintain a corporate culture which engenders ethical conduct. The Directors observe the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my and the Company's website at www.hai-o.com.my. The Code of Ethics provides guidance to the Directors of the Company in performing their duties as it aims to establish a standard of ethical behaviour based on trustworthiness and values as well as uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administration of a company. The Group has also established an internal policy which 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Code of Ethics and Whistleblower Policy (continued)

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.

Part II – Board Composition

Intended Outcome 4.0

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

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.

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.

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. 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 Director after the respective Independent Director has served a cumulative term of nine (9) years.

The Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by 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. If the Independent Director(s) who have served more than nine years is/are able to contribute their expertise and skills towards the Company to attain greater heights, he/she should remain as Independent Non-Executive Director(s) of the Company as the intended outcome is achieved as they are able to make objective decision in the best interest of the Group taking into account the diverse perspectives and insights.

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. 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.

As an annual practice, all the Independent Non-Executive Directors have provided their annual confirmations of independence to the Board based on the Company's criteria of assessing independence in line with the definition of "independent directors" prescribed by the MMLR. The newly appointed directors, Tan Beng Ling and Professor Hajjah Ruhanas Binti Harun have also declared their independency prior to their appointment to the Board.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Part II – Board Composition (continued)

The Board had assessed and concluded that all the Independent Non-Executive Directors of the Company, Chow Kee Kan @ Chow Tuck Kwan, Y. Bhg. Datin Sunita Mei-Lin Rajakumar, Tan Kim Siong, Soon Eng Sing, Chia Kuo Wui, Tan Beng Ling and Professor Hajjah Ruhanas Binti Harun have demonstrated independence in their conduct and behaviour which are essential indicators, and that each of them is independent of the Company's management and free from any business or other relationships which could interfere with the exercise of their independent judgement or the ability to act in the best interest of the Company.

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. 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. The Group Managing Director is principally responsible to implement and execute corporate strategies, policies and decisions adopted by the Board as well as to oversee the overall business operations.

The Board's composition represents a mix of knowledge, skills and expertise relevant to the activities of the Group. A brief profile of each Director is presented on pages 9 to 13.

Nominating Committee

The Board has delegated to the Nominating Committee the responsibility to establish, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors, 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.

The Board has on 18 December 2001 set up a Nominating Committee. 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.

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

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

- a) reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;
- b) evaluated the performance and effectiveness of the Board and each individual Director;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Nominating Committee (continued)

- c) evaluated the performance and effectiveness of the Audit Committee, Remuneration Committee, Risk Management Committee and each of its members respectively;
- d) identified the training needs of Directors for continuous education;
- e) reviewed and assessed the criteria as set out in the MMLR in determining the re-designation of Chia Kuo Wui as Independent Non-Executive Director;
- f) assessed and evaluated the suitability of the proposed candidates, namely Tan Beng Ling (“Ms. Tan”) and Professor Hajjah Ruhanas Binti Harun (“Prof. Ruhanas”) as Directors of the Company based on the criteria as set out in the Terms of Reference of the Nominating Committee and upon obtaining the declaration and confirmation in writing on amongst others, their time commitment and other requisite requirements and recommended to the Board of Directors the appointment of Ms. Tan and Prof. Ruhanas as Directors;
- g) 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 for approval at the forthcoming AGM.

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. 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.

Board Nomination and Election Process of Directors

The Nominating Committee is responsible to recommend candidates to the Board to fill vacancy arising from resignation, retirement or other reasons or if there is a need to appoint additional directors 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.

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

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

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 and Prof. Ruhanas to the Board.

The Board is open to utilizing independent sources to identify suitably qualified candidates where necessary. For the newly appointed directors, Ms. Tan and Prof. Ruhanas, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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.

The following are the training programmes, seminars, workshops and briefings attended by Directors during the financial year 2018: -

No.	Topics	TKH	TKK	HVK	KK Chow	Datin Sunita	CKW	TKS	SES
1.	Directors Sustainability Reporting Briefing	✓	✓	✓	✓	✓	✓	✓	✓
2.	Sustainability – Workshop	✓	✓	✓			✓		
3.	Computer Internet Security		✓	✓					
4.	Commercial Contract/ Sales of Goods			✓			✓		
5.	Influential Public Speaking & Presentation Skills			✓					
6.	Budget and GST Update			✓			✓		
7.	Bursa Advocacy Session on Corporate Disclosure			✓					
8.	Implementation of Sustainability for PLC Companies in Line with Bursa Requirement – Annual Report 2017			✓					
9.	Fintech: opportunity for the financial services industry in Malaysia					✓			
10.	Risk and Reward: What Must Boards Know About A Sustainable FI Remuneration System for Senior Management and Material Risk Takers?					✓			
11.	"Elevating The Standards of Malaysian Corporate Governance" (panelist)					✓			
12.	FIDE Forum - Board Selection - Engagement with Potential Directors					✓			
13.	2017 In-House Congress Kuala Lumpur - An Event for the Inhouse Community of Legal and Compliance Professionals					✓			
14.	Efficient Inefficiency: Making Boards Effective in a Changing World by Professor Sampler					✓			
15.	Audit Committee Conference 2018 - Internal Auditing in the Age of Disruption				✓		✓		
16.	SME Tea Talk- Cross Cultural Communication Skills for SME Leaders						✓		
17.	Risk Management Programme - I am Ready to Manage Risks						✓		
18.	Face+5 Accreditation								✓
19.	20 by 2020: Gender Diversity on Singapore Boards – A Path to Action								✓
20.	The Leadership Energy Summit Asia 2017 by ICLIF					✓			

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Directors' Training (continued)

No.	Topics	TKH	TKK	HVK	KK Chow	Datin Sunita	CKW	TKS	SES
21.	Leadership Mosaics of Malaysia by Human Capital Leadership Institute					√			
22.	Learning Leadership Development Forum by Harvard Business Publishing					√			
23.	2nd Securities Commission-FIDE Forum - Emerging Technologies in Capital Market - Leveraging Technology for Growth					√			
24.	CG Breakfast Series for Directors - Leading Changes in the Brain by ICLIF					√			
25.	Empowering Women Series Part 2 by ICLIF					√			
26.	BNM-FIDE Forum Dialogue - Managing Cyber Risks in Financial Institution					√			
27.	Audit Comm Institute (ACI) Breakfast Roundtable 2018 by KPMG					√			
28.	5th BNM-FIDE Forum Annual Dialogue with Deputy Governor of BNM					√			

Note:

- (i) TKH (Tan Kai Hee), TKK (Tan Keng Kang), HVK (Hew Von Kin), KK Chow (Chow Kee Kan @ Chow Tuck Kwan), Datin Sunita (Y. Bhg. Datin Sunita Mei-Lin Rajakumar), CKW (Chia Kuo Wui), TKS (Tan Kim Siong), SES (Soon Eng Sing)
- (ii) exclude Y. Bhg. Prof. Datuk Dr. Choo Yeang Keat who retired at the AGM held on 25 September 2017

The newly appointed Directors, Ms. Tan, has completed the Mandatory Accreditation Programme (MAP) in July 2018 while Prof. Ruhanas is scheduled to complete the MAP in October 2018.

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

Intended Outcome 5.0

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Evaluation and Assessment

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

The criteria used, 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: -

- 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.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Evaluation and Assessment (continued)

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:

- willingness and ability to critically challenge and ask the right questions;
- character and integrity in dealing with potential conflict of interest situation, if any;
- commitment to serve the Company; and
- confidence to stand up for a point of view.

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.

Part III – Remuneration

Intended Outcome 6.0

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.

Intended Outcome 7.0

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.

Remuneration Committee

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.

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

The Remuneration Committee was reconstituted on 16 April 2018. Presently, it comprises wholly of Non-Executive Directors, all of whom are Independent.

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

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.

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

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

Directors' Remuneration

The details of the remuneration of Directors for the financial year ended 30 April 2018 are as follows:

Company	Directors' Fees (RM)	Salaries, Bonuses, Incentives (RM)	Other Emoluments ^{N1} (RM)	Benefits-In-Kind ^{N2} (RM)	Total (RM)
Executive Directors					
Tan Kai Hee	23,000	898,898	5,593	263,285	1,190,776
Tan Keng Kang	23,000	820,074	55,612	199,728	1,098,414
Hew Von Kin	23,000	772,898	96,268	143,280	1,035,446
Sub-Total	69,000	2,491,870	157,473	606,293	3,324,636
Non-Executive Directors					
Chow Kee Kan @ Chow Tuck Kwan	23,000	-	116,113	23,866	162,979
Y. Bhg. Datin Sunita Mei-Lin Rajakumar	23,000	-	104,440	23,866	151,306
Chia Kuo Wui	23,000	-	74,160	23,866	121,026
Soon Eng Sing	23,000	-	73,660	23,866	120,526
Tan Kim Siong	23,000	-	76,660	23,866	123,526
Y. Bhg. Prof. Datuk Dr. Choo Yeang Keat#	-	-	155,947	-	155,947
Tan Beng Ling*	958	-	2,873	-	3,831
Professor Hajjah Ruhana Binti Harun**	-	-	-	-	-
Sub-Total	115,958	-	603,853	119,330	839,141
Grand Total	184,958	2,491,870	761,326	725,623	4,163,777

^{N1} Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.

^{N2} Benefits-in-kind comprised provision of company's motor vehicle, driver, benefits arising from ESOS allocation and others.

Non-Executive Director who retired at the AGM held on 25 September 2017.

* Non-Executive Director who was appointed during the financial year on 16 April 2018.

** Non-Executive Director who was appointed on 2 July 2018 (after the financial year ended 30 April 2018).

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Directors' Remuneration (continued)

Group	Directors' Fees (RM)	Salaries, Bonuses, Incentives (RM)	Other Emoluments ^{N1} (RM)	Benefits-In-Kind ^{N2} (RM)	Total (RM)
Executive Directors					
Tan Kai Hee	40,000	1,875,938	6,778	263,285	2,186,001
Tan Keng Kang	53,000	1,274,490	138,356	199,728	1,665,574
Hew Von Kin	27,000	958,287	102,762	143,280	1,231,329
Sub-Total	120,000	4,108,715	247,896	606,293	5,082,904
Non-Executive Directors					
Chow Kee Kan @ Chow Tuck Kwan	23,000	-	116,113	23,866	162,979
Y. Bhg. Datin Sunita Mei-Lin Rajakumar	23,000	-	104,440	23,866	151,306
Chia Kuo Wui	28,000	-	74,160	23,866	126,026
Soon Eng Sing	23,000	-	73,660	23,866	120,526
Tan Kim Siong	23,000	-	76,660	23,866	123,526
Y. Bhg. Prof. Datuk Dr. Choo Yeang Keat#	-	-	155,947	-	155,947
Tan Beng Ling*	958	-	2,873	-	3,831
Professor Hajjah Ruhanas Binti Harun**	-	-	-	-	-
Sub-Total	120,958	-	603,853	119,330	844,141
Grand Total	240,958	4,108,715	851,749	725,623	5,927,045

N1 Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.

N2 Benefits-in-kind comprised provision of company's motor vehicle, driver, benefits arising from ESOS allocation and others.

Non-Executive Director who retired at the AGM held on 25 September 2017.

* Non-Executive Director who was appointed during the financial year on 16 April 2018.

** Non-Executive Director who was appointed on 2 July 2018 (after the financial year ended 30 April 2018).

Saved as disclosed above, there were no other remuneration paid for services rendered by any Director to the Company and the Group for the financial year ended 30 April 2018.

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.

The remuneration of the Senior Management (excluding Group Executive Directors) in aggregate for the financial year ended 30 April 2018, is as follows: -

Group Level	Salaries, Bonuses, Incentives (RM)	Other Emoluments ^{N1} (RM)	Benefits-In-Kind ^{N2} (RM)	Total (RM)
Senior Management*	1,061,398	114,937	111,608	1,287,943

* Comprising 3 Senior Management Officers

N1 Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.

N2 Benefits-in-kind comprised provision of company's motor vehicle, benefits arising from ESOS allocation and others.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit Committee

Intended Outcome 8.0

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.

The Audit Committee comprises wholly of Non-Executive Directors, all of whom are Independent. The composition of the Audit Committee, including its roles and responsibilities are set out on pages 63 to 68 of this Annual Report.

The Chairman of the Audit Committee and the Chairman of the Board are held by different persons.

All members of the Audit Committee 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.

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

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

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

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

The Audit Committee has also 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 Audit Committee to safeguard the independence of the audit of the financial statements.

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

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

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

Assessment of suitability and independence of External Auditors (continued)

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

The Audit Committee has assessed the independence of KPMG PLT as the External Auditors of the Company as well as reviewed the level of non-audit services rendered by them and 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.

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

The Audit Committee met with the External Auditors three (3) times at the Audit Committee meetings held on 28 June 2017, 21 July 2017 and 22 March 2018 during the financial year ended 30 April 2018. For each of the aforesaid three meetings, the Audit Committee had also allocated a discussion session with the External Auditors without the presence of the Executive Directors and Management.

Company's financial statements is a reliable source of information

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 announcements of its results to shareholders. These financial statements are drawn up in accordance with the Companies Act 2016, the MMLR, the International Financial Reporting Standards and the Financial Reporting Standards in Malaysia and are reviewed by the Audit Committee prior to approval by the Board. The annual financial statements are subjected to audit by independent external auditors.

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

The Board is responsible to ensure that financial statements of the Company give a true and fair view of the state of the Company and of the Group as at the end of the reporting period. Accordingly, the Board has prepared the responsibility statements pursuant to the MMLR as outlined on page 84 of this Annual Report.

Part II – Risk Management and Internal Control

Intended Outcome 9.0

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.

Intended Outcome 10.0

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

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 and to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

Presently, the Risk Management Committee consists of five (5) members, three (3) of whom are Independent Non-Executive Directors.

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

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 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.

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 (CGRM). Currently, 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.

The Head of Internal Audit, Ms. Wong Ngjik 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 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.

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 C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I - Communication with stakeholders

Intended Outcome 11.0

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.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

Investor Relations

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.

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.

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.

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.

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.

Leverage on Information Technology for effective dissemination of Information

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.

Part II – Conduct of General Meetings

Intended Outcome 12.0

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

Annual General Meeting ("AGM")

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.

The date of AGM of the Company is scheduled in September annually and 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 the 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. All Directors attended the 42nd AGM held on 25 September 2017.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

Annual General Meeting ("AGM") (continued)

The Notice of AGM will be served to the shareholders of the Company at least 28 days prior to the meeting.

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.

Key Focus Area for the reporting financial year and Future Priorities

The Board recognises the importance of the MCCG. During the year under review, the Board has reviewed the composition of the respective Board Committees and evaluated the gap that is required to meet the practices as recommended by the MCCG. The Remuneration Committee was hence reconstituted on 16 April 2018 to comprise exclusively Independent Non-Executive Directors.

The Board also recognises the importance of diversity in deliberations and decision-making and has escalated its efforts to establish a diverse Board with a variety of skills, competence, experience, age and gender. Although there is no policy adopted on gender diversity, the Company has appointed two (2) female directors to the Board in April 2018 and July 2018 respectively. Presently, the Board has 30% female representation.

On Practice 4.6 where the Board is recommended to utilise independent sources to identify suitable qualified candidates, the Board is open to use such facilities when necessary.

The establishment of Sustainability Governance Structure ("SGS") within the Group is also one of the key areas of focus during the financial year under review. The roles and responsibilities of the respective Committees under SGS are stated on page 42 of this Annual Report.

It is also the practice of the Company to seek annual approval of the shareholders to retain an independent director beyond 9-12 years. However, 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 Director after the respective Independent Director has served a cumulative term of nine (9) years.

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 per recommended under Practice 12.3.

RESPONSIBILITY STATEMENT BY THE BOARD

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

They are to ensure that the annual financial statements of the Group give 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 CG Overview Statement was made in accordance with a Resolution of the Board on 8 August 2018.