

# Statement On Corporate Governance

The Board of Directors of Hai-O Enterprise Berhad (“The Board”) recognises the importance of the Malaysian Code of Corporate Governance (“The Code”), which sets out the principles and the best practices on corporate governance. In line with this, the Board is committed to ensuring that the principles of Corporate Governance and Best Practices are observed and practiced throughout the Hai-O Group of Companies (“The Group”) so that the operations of the Group are conducted with integrity and professionalism to safeguard shareholders’ investment and enhance shareholders’ value.

## BOARD OF DIRECTORS

### a) Composition of the Board and Board Balance

The Board currently consists of eight (8) members, comprising of three (3) Executive Directors and five (5) Non-Executive Directors, of whom four (4) are Independent Directors. Thus, this complies with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Bhd (“Bursa Malaysia”) that one-third (1/3) of the Board are Independent Directors. All the Independent Directors are independent of management and majority shareholders and are free from any business or other relationship that could materially interfere with the exercise of their independent judgment.

The functions of Executive and Non-Executive Directors are separate and clearly defined. Generally, the Executive Directors are to manage the Group’s daily operations and to implement the operational and corporate decisions. The Non-Executive Directors are to 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 company strategies and policies. Where a potential conflict of interest may arise, it is a mandatory practice for the director concerned to declare his interest and abstain from the decision making process.

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, without limiting the principle of collective responsibility for Board’s decisions. The Managing Director, on the other hand, has the principal responsibility to formulate the business strategies and to implement the corporate decisions as well as to manage the overall business operations.

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 14 to page 18.

### b) Responsibilities of the Board

The Board retains full and effective control of the Group. This includes the responsibility for determining the Group’s overall strategic directions as well as development and control of the Group. Key matters, such as approval of annual and quarterly financial results, corporate and financial planning, acquisitions and disposals of major capital expenditures, entry into new business ventures, budgets and long term plans are the prerogative of the Board.

### c) Board Meetings & Supply of Information

The Board meets at least once every three (3) months. Additional meetings may be convened to resolve any major and ad hoc matters requiring immediate attention. During the financial year ended 30 April 2009, the Board met four (4) times. Senior Management staff may be invited to attend board meetings to provide the Board with detailed explanations and clarifications.

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

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 Secretary who is responsible for 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.

# Statement On Corporate Governance (cont'd)

## d) Appointment & Re-election of Directors

The Board has delegated the Nomination Committee the responsibility for considering the appointment of directors, identifying and selecting potential new directors and proposing to the Board the appointment of new Directors.

All of the members of the Nomination Committee are Independent, Non-Executive Directors:

- Tan Sri Osman S Cassim (Chairman)
- Lim Chin Luen
- Quek Ah Ba

One third (1/3) of the Directors shall retire from office at each Annual General Meeting ("AGM") and they can offer themselves for re-election. Directors who are appointed by the Board are subject to election by the shareholders at the next 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.

## e) Director's Training

The Board acknowledges that continuous education is critical for its members to gain insight into the state of economy, technological advances, regulatory updates and management strategies. All the Directors of the company have completed the Mandatory Accreditation Programme ("MAP") in accordance with the Listing Requirements of the Bursa Malaysia Securities Bhd. The Directors will continue to undergo other relevant training programmes and the Continuing Education Programmes ("CEP") to further enhance their knowledge in the latest statutory and regulatory developments as well as to keep abreast with developments in the business environment to enable them to discharge their responsibilities more effectively.

Training programmes, seminars, workshop and briefings attended by Directors during the financial year 2009 are :-

- Translating Strategy Into Operations/Actions
- Budget 2009 Briefing Review
- KPI Training & Meeting
- Product Costing & Pricing Workshop
- Practical Financial Skills
- Projecting A Professional & Successful Image
- Team Building Programmes
- Where to Put Your Money In 2009
- Investors Expo 2008
- Rethinking Strategies, Surviving Challenges

## DIRECTORS' REMUNERATION

### a) Level and Make-up of Remuneration

The Board has set up a Remuneration Committee whose members are majority Non-Executive Directors. Members of the Remuneration Committee are:-

- Tan Sri Osman S Cassim (Chairman)
- Lim Chin Luen
- Tan Kai Hee

The level of remuneration is structured to attract, retain and motivate the Directors in order to run the company successfully. The remuneration scheme is linked closely with the performance, service seniority, experience and responsibilities.

# Statement On Corporate Governance (cont'd)

## b) Procedure

The Remuneration Committee, meets as and when required, has responsibility for determining all aspect of remuneration and terms and conditions of service of the Executive Directors. The Remuneration Committee's primary responsibility is to ensure that the remuneration package of the Executive Directors are based on the Group's results and the individual director's performance.

The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole.

The Directors' fees, both Executive and Non-Executive are approved by the shareholders at the Annual General Meeting ("AGM").

## c) Disclosure

The details of the remuneration of Directors for the year ended 30 April 2009 are as follows:

Directors	Directors' Fees (RM)	Emoluments (RM)	Benefit-In-Kinds (RM)	Total (RM)
Executive Directors	98,825	2,544,380	28,750	2,671,955
Non-Executive Directors	88,750	501,131	2,806	592,687
Grand Total	187,575	3,045,511	31,556	3,264,642

The aggregate remuneration of Directors which fall within the following bands are as follow:-

Range of Remuneration	Executive Directors	Non-Executive Directors
RM 50,000 and below		1
RM 50,001 – RM100,000	1 *	3
RM 100,001 – RM 150,000	1	1 **
RM 150,001 – RM 200,000		1
RM 250,001 – RM 300,000	1	
RM 2,150,001 – RM 2,200,000	1	

\* The aggregate remuneration of the director who resigned during the financial year

\*\* The aggregate remuneration of the director who demised on 22 November 2008

## SHAREHOLDERS AND INVESTORS

The Board recognises the importance of the right of shareholders, stakeholders and general public to be well informed on the activities and performance of the Group and to make their own evaluation and investment decision.

The Group has maintained an active and constructive communication policy that enables the Board and management to communicate effectively with its shareholders.

The key element of the Company's dialogue with its shareholders is the opportunity to gather views and answer questions on all issues relevant to the Company at the AGM. The notice of the AGM and related papers are sent to shareholders with adequate time notice before the meeting. All shareholders are invited and encouraged to attend the company's AGM and to participate in the proceedings. At the AGM, the shareholders are encouraged to ask questions about the resolutions being proposed as well as to seek clarification on the Group's business and performance. Shareholders are also informed and invited to attend any Extraordinary General Meetings through circulars and notice of meeting, if there is any.

# Statement On Corporate Governance (cont'd)

The company has also established a website [www.hai-o.com.my](http://www.hai-o.com.my) to which the shareholders can access for corporate information.

## ACCOUNTABILITY AND AUDIT

### a) Financial Reporting

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 and half yearly announcement of results to shareholders. 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, adequacy and comply with the requirements of approved accounting standards before announcing to shareholders and the general public.

### b) Statement of Internal Control

The Board acknowledges that it is responsible for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance against material misstatement or loss.

The Statement of Internal Control set out on page 63 of this Annual Report provides an overview of the state of internal controls within the Group.

### c) Relationship with the Auditors

Through the Audit Committee, the Board has established transparent and appropriate 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.

A report of the Audit Committee and its terms of reference are provided on pages 54 to 58.

## RESPONSIBILITY STATEMENT BY THE BOARD

The Directors are responsible for ensuring that the annual financial statements of the Group are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Bhd.

They are to ensure that the annual financial statements of the Group give a true and fair view in 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:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent;
- prepared the financial statements on a going concern basis;
- ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy; and
- adopted approved accounting standards in Malaysia.

The Directors are also making reasonable steps to safeguard the assets of the Group to prevent and detect other irregularities.