

Statement on **Corporate Governance**

The Board of Directors (“the Board”) of Hai-O Enterprise Berhad recognises the importance of the Malaysian Code on 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 seven (7) members, comprising three (3) Executive Directors and four (4) Non-Executive Directors, all of whom are Independent Directors. Thus, this complies with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) that one-third (1/3) of the Board are Independent Directors. 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 judgment.

The functions of Executive and Non-Executive Directors are separate 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 Company’s strategies and policies. Where a potential conflict of interest may arise, it is a mandatory practice for the director concerned to declare his or her interest and abstain from voting and deliberations on that affected subject matter.

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 to the principle of collective responsibility for all 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 10 to page 12.

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 in every three (3) months. Additional meetings may be convened to resolve any major and/or ad hoc matters requiring urgent attention. During the financial year ended 30 April 2011, the Board met six (6) 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 Secretaries who are responsible to 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)

Board Of Directors (cont'd)

d) Appointment & Re-election of Directors

The Board has delegated to the Nomination Committee the responsibility to identify and recommend to the Board suitable nominees for appointment to the Board and Board Committees.

All of the members of the Nomination Committee are Independent, Non-Executive Directors and they are as follows:-

- Tan Sri Osman S Cassim (Chairman)
- Lim Chin Luen
- Chow Kee Kan @ Chow Tuck Kwan

The Company's Articles of Association provides that one third (1/3) of the Directors shall retire from office at each Annual General Meeting ("AGM") and shall be eligible for re-election. Directors who are appointed by the Board during the 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.

e) Directors' 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 Directors have completed the Mandatory Accreditation Programme in accordance with the Listing Requirements of Bursa Securities.

All Directors have attended various training programmes, seminars, workshop and/or briefings during the financial year. Amongst the training programmes, seminars, workshop and briefings attended by the Directors in FY 2011 were as follows :-

- Strategic Marketing Management
- Enterprise Risk Management Programmes
- 2nd Annual Corporate Governance Summit 2010
- New Personal Data Protection Act and The Competition Act
- Corporate Governance Guide : Towards Boardroom Excellence
- Business Management Talks
- China's Economy Is Booming Strongly, How Malaysia Can Seize The Opportunities & Face Challenges

The Directors will continue to participate in other relevant training programmes 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.

Directors' Remuneration

a) Level and Make-up of Remuneration

The Remuneration Committee comprises the following members, majority of whom are Non-Executive Directors.

- 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.

b) Procedure

The Remuneration Committee will meet as and when required and is responsible 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 is 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 AGM.

Statement on Corporate Governance (cont'd)

Directors' Remuneration (cont'd)

c) Disclosure

The details of the remuneration of Directors for the year ended 30 April 2011 are as follows:

Directors	Directors' Fees (RM)	Emoluments (RM)	Benefit-In-Kinds (RM)	Total (RM)
Executive Directors	69,900	1,631,023	46,668	1,747,591
Non-Executive Directors	85,250	487,223	-	572,473
Grand Total	155,150	2,118,246	46,668	2,320,064

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

Range of Remuneration	Executive Directors	Non-Executive Directors
Less than RM 50,001	-	1
RM 50,001 – RM 100,000	-	2
RM 100,001 – RM 150,000	-	2
RM 150,001 – RM 200,000	1	1
RM 300,001 – RM 350,000	1	-
RM 1,250,001 – RM 1,300,000	1	-

Shareholders And Investors

The Board recognises the importance of keeping the shareholders, stakeholders and general public informed of the Group's business, performance and corporate development.

Towards this end, the Group has maintained an active and constructive communication policy with its shareholders and investors to keep them 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.

Additionally, the AGM and/or Extraordinary General Meeting of the Company, if applicable, 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 performance. The Board encourages shareholders' active participation at such meetings and members of the Board and the external auditors are also present to address any query raised during such meetings.

The Company has also established a website 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 announcements of its 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.

Statement on **Corporate Governance** (cont'd)

Accountability And Audit (cont'd)

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 pages 41 and 42 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 33 to 36.

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 Securities.

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:

- 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 have and will continue to take reasonable steps to safeguard the assets of the Group and to prevent and detect other irregularities.

Statement On Compliance With Best Practices Of The Code

The Board is satisfied that the Company has, in all material aspects, complied with the best practices of the Code during the financial year ended 30 April 2011.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 17 August 2011.