

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7668  
**COMPANY NAME** : HAI-O ENTERPRISE BERHAD  
**FINANCIAL YEAR** : April 30, 2021

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

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.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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 Charter.</p> <p>To ensure the effective discharge of its functions and responsibilities, the Board delegates its powers to the Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee, Sustainability Steering 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 at their respective meetings are recorded in the minutes by the Company Secretaries, confirmed by the Board Committees, signed by the Chairman of the respective Committees, and reported to the Board. Upon invitation, Management representatives are present at the Board Committees' meetings to provide additional insight on matters to be discussed during the said Committee meetings, if so required.</p> <p>The Board, assisted by the respective Board Committees, is responsible for, among others, the following:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• Overseeing and evaluating the conduct of the Group's businesses, review of business plans and approval of annual budget;</li><li>• Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;</li></ul>

- Establishing a succession plan for Senior Management;
- Overseeing the development and implementation of Investor Relation's policy;
- Reviewing the adequacy and integrity of the management information and internal controls system of the Group;
- Promoting good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour including setting the anti-bribery stance and managing corruption risks 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, individual Directors and Senior Management;
- Reviewing the terms of office and performance of the Board Committees and each of its members in accordance with their respective terms of office;
- Ensuring that all its directors are able to understand financial statements and form a view on information presented.

Summary of key matters addressed by the Board either directly or via its respective Board Committees in FY2021 are set out below:-

**1) Strategic Plans and Sustainability**

- Reviewed and approved the Group's business plan and strategies and Budget for FY2021.
- Assessed Management performance to determine whether the business is being properly managed.
- Reviewed the KPI for Executives Directors and Senior Management.
- Reviewed and Sustainability strategies and policies and updated the status of key sustainability matters of the Group.
- Together with Management, assessed and managed the impact of Covid-19 to the Group's business operations and put in place the relevant Standard Operating Procedures across the business divisions.
- Proposed to undertake the following "Corporate Proposals":-
  - (i) Proposed internal reorganisation by way of Scheme of Arrangement comprising of:-
    - (a) Proposed share exchange of up to 300,297,890 Hai-O Enterprise Shares, representing the entire issued share capital of Hai-O Enterprise (including treasury shares held by Hai-O Enterprise) with up to 300,297,890 Beshom Holdings Berhad ("BESHOM") Shares on the basis of 1 BESHOM Share for every 1 existing Hai-O Enterprise Share held on the Entitlement Date; and
    - (b) Proposed assumption of the listing status of our Company by BESHOM, the admission of BESHOM to, and withdrawal of our Company from, the Official List

of Bursa Securities, with the listing of and quotation for 300,297,892 BESHOM Shares on the Main Market of Bursa Securities;

- (ii) Proposed termination of the Existing ESOS; and
- (iii) Proposed establishment of new ESOS of up to 15% of the issued share capital of BESHOM (excluding treasury shares of BESHOM, if any) at any point in time over the duration of the Proposed New ESOS to the Eligible Person.

## **2) Governance & Financial Reporting**

- Reviewed the composition and skills of the Board and Board Committees, the performance and effectiveness of the Board, Board Committees and individual Directors.
- Reviewed and approved the reconstitution of the Remuneration Committee, Nominating Committee and Risk Management Committee.
- Reviewed and approved the annual report, quarterly results and audited financial statements.
- Reviewed the solvency position of the Company and approved dividend payments.

## **3) Risk Management & Internal Control**

- Reviewed principal business risks and ensured the implementation of mitigating measures and internal controls.
- Assessed the effectiveness of internal controls in respect of the Anti-Bribery Framework and to determine areas for improvement.
- Reviewed internal audit findings and Management responses.
- Reviewed and approved the Statement on Risk Management and Internal Control for inclusion in the Annual Report.
- Reviewed the report of the External Auditors.

### **Looking ahead to Financial Year Ending 30 April 2022:-**

The Board will:-

- Focus on strategies to ensure that the Group's business will be resilient and sustainable for the medium and long term;
- Drive a culture that prioritises compliance, internal control, risk management practices and sustainability governance to build a strong and resilient organisation;
- Intensify digital transformation strategies to achieve revenue growth and cost optimisation;
- Supervise the implementation of the Corporate Proposals and after the completion of the Proposed Internal Reorganisation, to further streamline the BESHOM Group to have separate identifiable business streams which better reflects the diverse operations of BESHOM Group; and
- Together with Management, continue to assess and manage the impact of Covid-19 pandemic on the Group's business operations and put in place/enhance the relevant Standard Operating Procedures across the business divisions.

	<p><b><u>Succession Planning</u></b></p> <p>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.</p> <p>The Board Charter and the Terms of Reference of the Board Committees are available on the Company's website at <a href="http://www.hai-o.com.my">www.hai-o.com.my</a> under the Investor Relations section.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

## Intended Outcome

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.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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 but not limited to the following:</p> <ul style="list-style-type: none"> <li>• providing leadership to the Board;</li> <li>• ensuring that the Board carries out its responsibilities in the best interest of the Group and that all the key issues are discussed in a timely manner;</li> <li>• facilitate active discussion and participation by all Directors;</li> <li>• ensure that sufficient time is allocated to discuss all relevant issues at Board meetings; and</li> <li>• ensuing effective communication with shareholders and relevant stakeholders.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>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.</p> <p>The Group Managing Director is the CEO of the Group. He is principally responsible for implementing and executing corporate strategies, policies and decisions adopted by the Board and overseeing the overall business operations.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretaries are members of the Malaysian 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.</p> <p>In addition, the Board is also briefed and updated on the latest amendment on the relevant regulatory requirements from time to time at Board meetings by the Company Secretaries.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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 of such meetings.</p> <p>Notice of meetings set out the agenda and accompanied by the relevant Board papers are given to the Directors with sufficient time to enable the Directors to review, seek additional information or clarify the matters to be deliberated at Board meetings.</p> <p>The Chairman of the respective Board Committees 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.</p> <p>The deliberation at each meeting are accurately captured, minuted and tabled to the forthcoming respective Board Committees and Board meeting for confirmation. Follow up matters at the Board and Board Committees meetings are tabled at the following meetings to ensure that they are duly acted upon.</p> <p>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 Board meetings or convey the request through key Senior Management or the Company Secretaries for consideration of the Board at a Board meeting to be held.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>To enhance accountability, the Board Charter which clearly sets out the roles, functions, composition, operation and processes of the Board was developed and replaced with the Directors Handbook which was established in 2010.</p> <p>The Board Charter spells out the governance structure, authority and reserved matters for the Board whilst that for the respective Board Committees are spelt out in their respective terms of reference which are available on the Company's website at <a href="http://www.hai-o.com.my">www.hai-o.com.my</a> under the Investor Relations section. The Board Charter and the Terms of Reference of the relevant Board Committees were last updated and enhanced in July 2021.</p> <p>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.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to maintain a corporate culture which engenders ethical conduct. The Directors observe the Company Directors' Code of Ethics which is published on the Company's website at <a href="http://www.hai-o.com.my">www.hai-o.com.my</a>. 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.</p> <p>The Board is also guided by the new Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries ("Guidelines") issued by Securities Commission ("SC") on 30 July 2020 and the revised Guidelines dated 12 April 2021 ("revised Guidelines") in discharging their fiduciary duties. The Guidelines set out guidance on duties and responsibilities of board in company group structures and requirements for the establishment of a group-wide framework to enable, among others, oversight of the group performance and the implementation of corporate governance policies. The revised Guidelines serves as a guide for Hai-O and its subsidiaries and their directors in establishing a group governance framework. It highlights salient features of the group governance framework such as setting the tone for leadership, alignment of strategies and establishing policies and procedures of the group. The Guidelines and revised Guidelines are available at the SC's website at <a href="http://www.sc.com.my">www.sc.com.my</a>.</p> <p>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 by all directors and employees.</p>

	<p>Hai-O Group has a zero-tolerance approach to bribery. Hai-O Group takes the upholding of its anti-bribery stance across the Group's business seriously and expects the same from stakeholders internal and external to the Group's businesses, extending to all the Group's business dealings and transactions in all countries in which it operates. All suppliers and business associates must adhere to Hai-O Group's Anti-Bribery Policy.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

## Intended Outcome

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.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established a Whistle-Blowing Policy to provide employees, stakeholders (e.g. shareholders, customers, distributors, suppliers and the public) an avenue to raise genuine concerns about wrongdoings, misconduct, illegal acts, or unethical business conduct that is taking place, has taken place, or may take place in the future (“Disclosure”).</p> <p>A whistle-blower may make the Disclosure either in writing (including email) or orally to the first contact point or prescribed persons as stated in the Whistle-Blowing Policy.</p> <p>The Whistle-Blowing Policy is reviewed by the Company periodically or at least once in three years and is accessible at the Company’s website at <a href="http://www.hai-o.com.my">www.hai-o.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Our Board has nine (9) members, comprising three (3) Executive Directors and six (6) 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 comprise of independent directors. In the event of any vacancy in the Board of Directors resulting in non-compliance with Para 15.02(3) of the MMLR, the Company must fill the vacancy within 3 months.</p> <p>Currently, 67% of our directors are independent while the female representation is 22% with two (2) women directors. The Board will take necessary efforts to close the gap to achieve 30% women directors in our Board in the near future.</p> <p>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, advices and decisions while taking into account the interest of relevant stakeholders including minority shareholders of the Company.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	<p>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 nine (9) years' tenure. If the Board intends to retain an Independent Director beyond nine (9) years, the Board should provide justification and seek annual shareholders' approval.</p> <p>As at 30 April 2021, none of the Independent Directors have served the Board for more than 9 years.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## Intended Outcome

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

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied																								
<b>Explanation on application of the practice</b>	:	<p>The Group does not practice 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.</p> <p>In designing the Board Composition, 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.</p> <p>The Board's composition represents a mix of knowledge, skills and expertise relevant to the activities of the Group. Currently the composition of the Board is stated as follows:-</p> <table border="1"> <thead> <tr> <th>Current Board Composition</th> <th>No. of Directors</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Non-Independent (Executive)</td> <td>3</td> <td>33</td> </tr> <tr> <td>Independent (Non-Executive)</td> <td>6</td> <td>67</td> </tr> <tr> <td></td> <td><b>9</b></td> <td><b>100</b></td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Gender Diversity</th> <th>No. of Directors</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>7</td> <td>78</td> </tr> <tr> <td>Female</td> <td>2</td> <td>22</td> </tr> <tr> <td></td> <td><b>9</b></td> <td><b>100</b></td> </tr> </tbody> </table> <p>A brief profile of each Director is presented on pages 8 to 12 of the Annual Report 2021.</p>	Current Board Composition	No. of Directors	%	Non-Independent (Executive)	3	33	Independent (Non-Executive)	6	67		<b>9</b>	<b>100</b>	Gender Diversity	No. of Directors	%	Male	7	78	Female	2	22		<b>9</b>	<b>100</b>
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<b>Measure</b>	:																									

<b>Timeframe</b>	:		
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## Intended Outcome

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

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company does not have specific policy on gender diversity. Presently, the Board has two (2) women directors representing 22% of the total Board members.	
		<p>In designing the Board Composition, 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.</p> <p>The Board will take necessary efforts in to close the gap to achieve 30% women directors in our Board in the near future.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>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 skills or professions to the Board in order to close the competency gap as identified by the Nominating Committee. Upon receipt of the proposal, the Nominating Committee is responsible to conduct an assessment and evaluation of 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.</p> <p>No new director was appointed from the date of last AGM till to-date. Should there be a need to appoint additional director, the Board is open to utilise independent sources in identifying suitably qualified candidates, where necessary.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied								
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee was reconstituted on 1 July 2020 and currently comprises exclusively of Independent Non-Executive Directors. The members are as follows: -</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Directorship</th> </tr> </thead> <tbody> <tr> <td>Chairman: Ng Chek Yong</td> <td>Senior Independent Non-Executive Director</td> </tr> <tr> <td>Members: Soon Eng Sing</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Professor Hajjah Ruhana Binti Harun</td> <td>Independent Non-Executive Director</td> </tr> </tbody> </table> <p>The Chairman of the Nominating Committee, Ng Chek Yong, was designated as the Senior Independent Non-Executive Director on 1 July 2020. The role of the Senior Independent Non-Executive Director, amongst others, includes taking the lead of succession planning, recommending the appointment of Board and Committee members, annual review of Board and Board Committees 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.</p> <p>The Terms of Reference of the Nominating Committee was updated and enhanced in July 2021 and is available at our website <a href="http://www.hai-o.com.my">www.hai-o.com.my</a>.</p>	Name	Directorship	Chairman: Ng Chek Yong	Senior Independent Non-Executive Director	Members: Soon Eng Sing	Independent Non-Executive Director	Professor Hajjah Ruhana Binti Harun	Independent Non-Executive Director
Name	Directorship									
Chairman: Ng Chek Yong	Senior Independent Non-Executive Director									
Members: Soon Eng Sing	Independent Non-Executive Director									
Professor Hajjah Ruhana Binti Harun	Independent Non-Executive Director									
<b>Explanation for departure</b>	:									
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>										
<b>Measure</b>	:									

<b>Timeframe</b>	:		
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## Intended Outcome

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

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The process of assessing the Directors is an on-going responsibility of the entire Board.</p> <p>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.</p> <p>The criteria used, among others, for the annual assessment of individual Directors 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: -</p> <ul style="list-style-type: none"> <li>• Individual Board member’s understanding of the Company’s mission and strategic plan;</li> <li>• Board members’ understanding and knowledge of the Group’s business and performance and application of good governance principles to create sustainable shareholder’s value;</li> <li>• Board’s independence in the process of decision making;</li> <li>• In the case of Independent Non-Executive Directors, the director’ ability to discharge such responsibilities or functions as expected from Independent Non-Executive Directors and whether the director has any conflicts of interest with the Company.</li> </ul> <p>The questionnaires on the annual assessment of the effectiveness of the Board and individual Directors also included, among others, the evaluation of their:</p>

	<ul style="list-style-type: none"> <li>• willingness and ability to critically challenge and ask the right questions;</li> <li>• character and integrity in dealing with potential conflicts of interest situation;</li> <li>• commitment to serve the Company; and</li> <li>• confidence to stand up for a point of view.</li> </ul> <p>In respect of the assessment for the financial year ended 30 April 2021 which was carried out internally and facilitated by 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.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>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 of 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 financial, non-financial and operational targets. The Executive Directors abstained from deliberation on their own remuneration at Board meetings.</p> <p>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 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. The Directors who are also the shareholders shall abstain from voting at the forthcoming 46<sup>th</sup> AGM on resolutions pertaining to their Directors' fees and benefits.</p> <p>The Terms of Reference of the Remuneration Committee which includes the Remuneration Policies was updated and enhanced in August 2018 and is available on website at <a href="http://www.hai-o.com.my">www.hai-o.com.my</a>.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied								
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee was reconstituted on 1 July 2020. Presently, it comprises wholly Non-Executive Directors, all of whom are Independent.</p> <table border="1"><thead><tr><th>Name</th><th>Directorship</th></tr></thead><tbody><tr><td><b>Chairman:</b> Soon Eng Sing</td><td>Independent Non-Executive Director</td></tr><tr><td><b>Members:</b> Chia Kuo Wui</td><td>Independent Non-Executive Director</td></tr><tr><td>Tan Beng Ling</td><td>Independent Non-Executive Director</td></tr></tbody></table> <p>During the financial year ended 30 April 2021, the Remuneration Committee held two (2) meetings with 100% attendance rate. The Remuneration Committee has reviewed the remuneration packages of the Executive Directors and key Senior Management based on Key Performance Indicators and performance appraisal carried out by the Group Managing Director before making its recommendation to the Board for its consideration and approval.</p> <p>The Directors' fees, both Executive and Non-Executive, would be tabled to the shareholders for approval at the forthcoming AGM.</p> <p>The Directors who are shareholders of the Company had abstained from voting at the previous 45th AGM and shall abstain from voting at the forthcoming 46th AGM on resolutions pertaining to their Directors' fees and benefits.</p> <p>The Terms of Reference of the Remuneration Committee which includes the Remuneration Policies is available at our website <a href="http://www.hai-o.com.my">www.hai-o.com.my</a></p>	Name	Directorship	<b>Chairman:</b> Soon Eng Sing	Independent Non-Executive Director	<b>Members:</b> Chia Kuo Wui	Independent Non-Executive Director	Tan Beng Ling	Independent Non-Executive Director
Name	Directorship									
<b>Chairman:</b> Soon Eng Sing	Independent Non-Executive Director									
<b>Members:</b> Chia Kuo Wui	Independent Non-Executive Director									
Tan Beng Ling	Independent Non-Executive Director									

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied																																																																																										
<b>Explanation on application of the practice</b>	:	<p>The details of the remuneration of the Directors for the financial year ended 30 April 2021 are as follows:-</p> <table border="1"> <thead> <tr> <th>Company</th> <th>Directors' Fees (RM)</th> <th>Salaries, Allowances, Bonuses, Incentives (RM)</th> <th>Other Emoluments<sup>N1</sup> (RM)</th> <th>Benefits-In-Kind<sup>N2</sup> (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td colspan="6"><b>Executive Directors</b></td> </tr> <tr> <td>Tan Kai Hee</td> <td>23,000</td> <td>636,000</td> <td>6,593</td> <td>31,150</td> <td>696,743</td> </tr> <tr> <td>Tan Keng Kang</td> <td>23,000</td> <td>945,000</td> <td>67,811</td> <td>7,845</td> <td>1,043,656</td> </tr> <tr> <td>Hew Von Kin</td> <td>23,000</td> <td>866,000</td> <td>107,665</td> <td>23,750</td> <td>1,020,415</td> </tr> <tr> <td><b>Sub-Total</b></td> <td><b>69,000</b></td> <td><b>2,447,000</b></td> <td><b>182,069</b></td> <td><b>62,745</b></td> <td><b>2,760,814</b></td> </tr> <tr> <td colspan="6"><b>Non-Executive Directors</b></td> </tr> <tr> <td>Ng Chek Yong</td> <td>23,000</td> <td>60,000</td> <td>11,993</td> <td>-</td> <td>94,993</td> </tr> <tr> <td>Tan Beng Ling</td> <td>23,000</td> <td>72,000</td> <td>20,563</td> <td>-</td> <td>115,563</td> </tr> <tr> <td>Soon Eng Sing</td> <td>23,000</td> <td>72,000</td> <td>16,563</td> <td>-</td> <td>111,563</td> </tr> <tr> <td>Chia Kuo Wui</td> <td>23,000</td> <td>72,000</td> <td>20,563</td> <td>-</td> <td>115,563</td> </tr> <tr> <td>Tan Kim Siong</td> <td>23,000</td> <td>60,000</td> <td>17,723</td> <td>-</td> <td>100,723</td> </tr> <tr> <td>Hajjah Ruhana Binti Harun</td> <td>23,000</td> <td>60,000</td> <td>8,993</td> <td>-</td> <td>91,993</td> </tr> <tr> <td><b>Sub-Total</b></td> <td><b>138,000</b></td> <td><b>396,000</b></td> <td><b>96,398</b></td> <td><b>-</b></td> <td><b>630,398</b></td> </tr> <tr> <td><b>Grand Total</b></td> <td><b>207,000</b></td> <td><b>2,843,000</b></td> <td><b>278,467</b></td> <td><b>62,745</b></td> <td><b>3,391,212</b></td> </tr> </tbody> </table> <p>N1 Other Emoluments comprised meeting 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 and others.</p>	Company	Directors' Fees (RM)	Salaries, Allowances, Bonuses, Incentives (RM)	Other Emoluments <sup>N1</sup> (RM)	Benefits-In-Kind <sup>N2</sup> (RM)	Total (RM)	<b>Executive Directors</b>						Tan Kai Hee	23,000	636,000	6,593	31,150	696,743	Tan Keng Kang	23,000	945,000	67,811	7,845	1,043,656	Hew Von Kin	23,000	866,000	107,665	23,750	1,020,415	<b>Sub-Total</b>	<b>69,000</b>	<b>2,447,000</b>	<b>182,069</b>	<b>62,745</b>	<b>2,760,814</b>	<b>Non-Executive Directors</b>						Ng Chek Yong	23,000	60,000	11,993	-	94,993	Tan Beng Ling	23,000	72,000	20,563	-	115,563	Soon Eng Sing	23,000	72,000	16,563	-	111,563	Chia Kuo Wui	23,000	72,000	20,563	-	115,563	Tan Kim Siong	23,000	60,000	17,723	-	100,723	Hajjah Ruhana Binti Harun	23,000	60,000	8,993	-	91,993	<b>Sub-Total</b>	<b>138,000</b>	<b>396,000</b>	<b>96,398</b>	<b>-</b>	<b>630,398</b>	<b>Grand Total</b>	<b>207,000</b>	<b>2,843,000</b>	<b>278,467</b>	<b>62,745</b>	<b>3,391,212</b>
Company	Directors' Fees (RM)	Salaries, Allowances, Bonuses, Incentives (RM)	Other Emoluments <sup>N1</sup> (RM)	Benefits-In-Kind <sup>N2</sup> (RM)	Total (RM)																																																																																							
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Group	Directors' Fees (RM)	Salaries, Allowances, Bonuses, Incentives (RM)	Other Emoluments <sup>N1</sup> (RM)	Benefits-In-Kind <sup>N2</sup> (RM)	Total (RM)
<b>Executive Directors</b>					
Tan Kai Hee	34,000	1,459,600	7,778	31,150	1,532,528
Tan Keng Kang	48,000	1,263,000	115,151	7,845	1,433,996
Hew Von Kin	27,000	941,000	114,206	23,750	1,105,956
<b>Sub-Total</b>	<b>109,000</b>	<b>3,663,600</b>	<b>237,135</b>	<b>62,745</b>	<b>4,072,480</b>
<b>Non-Executive Directors</b>					
Ng Chek Yong	23,000	60,000	11,993	-	94,993
Tan Beng Ling	23,000	72,000	20,563	-	115,563
Soon Eng Sing	23,000	72,000	16,563	-	111,563
Chia Kuo Wui	27,000	72,000	20,563	-	119,563
Tan Kim Siong	23,000	60,000	17,723	-	100,723
Hajjah Ruhana Binti Harun	23,000	60,000	8,993	-	91,993
<b>Sub-Total</b>	<b>142,000</b>	<b>396,000</b>	<b>96,398</b>	<b>-</b>	<b>634,398</b>
<b>Grand Total</b>	<b>251,000</b>	<b>4,059,600</b>	<b>333,533</b>	<b>62,745</b>	<b>4,706,878</b>
<p><i>N1 Other Emoluments comprised meeting allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.</i></p> <p><i>N2 Benefits-in-Kind comprised provision of Company's motor vehicle, driver and others.</i></p>					
<b>Explanation for departure</b> :					
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>					
<b>Measure</b> :					
<b>Timeframe</b> :					

## Intended Outcome

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.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure										
<b>Explanation on application of the practice</b>	:											
<b>Explanation for departure</b>	:	<p>The Board is of the view that the disclosure would affect the competitiveness of the Group and talent retention. The Company has disclosed below the information from an alternative perspective which is intended to achieve a similar outcome.</p> <p>The Group presently has two (2) senior management members (excluding the Group Executive Directors) who report directly to the Group Managing Director and hold the highest level of management responsibility of the respective business operations within the Group.</p> <p>The remuneration of the Senior Management is disclosed on an aggregate basis, taking into account salary, allowances, bonuses, incentives, employer's provident fund contribution, social security welfare contribution, benefits arising from ESOS allocations and other benefits-in kind.</p> <p>The remuneration of the aforesaid Senior Management amounted to RM673,436 in the financial year ended 30 April 2021 and the breakdown by types of remuneration is as disclosed on page 58 of the Corporate Governance Overview Statement as follows:-</p> <table border="1"> <thead> <tr> <th>Group Level</th> <th>Salaries, Allowances, Bonuses, Incentives (RM)</th> <th>Other Emoluments<sup>N1</sup> (RM)</th> <th>Benefits-In-Kind<sup>N2</sup> (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td>Senior Management</td> <td>596,750</td> <td>65,586</td> <td>11,100</td> <td>673,436</td> </tr> </tbody> </table> <p><i>N1 Other Emoluments comprised allowances, Employer's Provident Fund contribution, Social Security Welfare contribution and Employment Insurance Scheme contribution.</i></p> <p><i>N2 Benefits-in-Kind comprised provision of Company's motor vehicle and others.</i></p> <p>The remuneration of Senior Management is determined in a similar manner as other management employees of the Group. This is based on their individual performance, the overall performance of the Company, inflation and benchmarked against other companies in Malaysia.</p>	Group Level	Salaries, Allowances, Bonuses, Incentives (RM)	Other Emoluments <sup>N1</sup> (RM)	Benefits-In-Kind <sup>N2</sup> (RM)	Total (RM)	Senior Management	596,750	65,586	11,100	673,436
Group Level	Salaries, Allowances, Bonuses, Incentives (RM)	Other Emoluments <sup>N1</sup> (RM)	Benefits-In-Kind <sup>N2</sup> (RM)	Total (RM)								
Senior Management	596,750	65,586	11,100	673,436								

<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

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.

### Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Audit Committee ("AC") is Tan Beng Ling who is an Independent Non-Executive Director.</p> <p>The Chairman of the AC and the Chairman of the Board are held by different persons. This ensures the Board is able to objectively review the audit findings and recommendations.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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.

### Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group has always recognised the need to uphold independence. None of the AC members were former key audit partners.</p> <p>The AC has also put in place a policy and revised its Terms of Reference to include a cooling-off period of at least three (3) years before a former partner of the external audit firm could be appointed as a member of the AC, to safeguard the independence of the audit of the financial statements.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>Through the Audit Committee, the Board has established a transparent and professional relationship with the Company's External Auditors.</p> <p>The Audit Committee carries out an assessment on the performance, suitability and independence of the External Auditors annually covering among others, the following areas:</p> <ul style="list-style-type: none"><li>(a) Service quality;</li><li>(b) Sufficiency of resources;</li><li>(c) Communication with the Management; and</li><li>(d) Independence, Objectivity and Professionalism.</li></ul> <p>The Audit Committee has also taken note of the non-audit services and the fees charged by the External Auditors. The policy on audit and non-audit services is guided by the following principles: -</p> <ul style="list-style-type: none"><li>(a) the External 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;</li><li>(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</li><li>(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 such exceptions.</li></ul> <p>Before appointing the External Auditors to undertake non-audit services, 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</p>

	<p>the provision of non-audit services.</p> <p>The Audit Committee has assessed the independence of our external auditors, KPMG PLT as well as reviewed the level of non-audit services rendered by them and after considering the quantum of the fees, which was not material as compared with the total audit fees paid to the External Auditors, concluded and recommended to the Board that the provision of such services did not compromise the External Auditors' independence and objectivity.</p> <p>During the year under review, 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 to the Board the suitability for re-appointment of KPMG PLT as external auditors of the Company for tabling to the shareholders for approval at the forthcoming 46<sup>th</sup> AGM.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

**Intended Outcome**

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.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted							
<b>Explanation on adoption of the practice</b>	:	<p>The AC comprises wholly of Non-Executive Directors, all of whom are Independent.</p> <p>The composition of the AC is as follows:-</p> <table border="1" data-bbox="528 813 1339 1068"> <thead> <tr> <th data-bbox="528 813 863 848">Name</th> <th data-bbox="863 813 1339 848">Directorship</th> </tr> </thead> <tbody> <tr> <td data-bbox="528 848 863 922">Chairperson Tan Beng Ling</td> <td data-bbox="863 848 1339 922">Independent Non-Executive Director</td> </tr> <tr> <td data-bbox="528 922 863 1068">Members: Chia Kuo Wui Tan Kim Siong</td> <td data-bbox="863 922 1339 1068">Independent Non-Executive Director Independent Non-Executive Director</td> </tr> </tbody> </table>		Name	Directorship	Chairperson Tan Beng Ling	Independent Non-Executive Director	Members: Chia Kuo Wui Tan Kim Siong	Independent Non-Executive Director Independent Non-Executive Director
Name	Directorship								
Chairperson Tan Beng Ling	Independent Non-Executive Director								
Members: Chia Kuo Wui Tan Kim Siong	Independent Non-Executive Director Independent Non-Executive Director								

## Intended Outcome

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.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC presently comprises three (3) Directors, all of whom are Independent Non-Executive Directors. A majority of the AC members possess the requisite qualifications as stipulated under Paragraph 15.09(1)(c) of the MMLR of Bursa Securities.</p> <p>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.</p> <p>Based on the outcome of the evaluation carried out by the Nominating Committee, the Board was satisfied that the AC and each of its members have discharged their duties and responsibilities which contributed to the effectiveness of the AC.</p> <p>The Terms of Reference which include composition, authority, responsibilities, meetings and specific duties of the AC are disclosed and published on the Company's website at <a href="http://www.hai-o.com.my">www.hai-o.com.my</a> under the Investor Relations – Corporate Governance section.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

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.

### Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>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.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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.

## Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	: Applied								
<b>Explanation on application of the practice</b>	<p data-bbox="544 741 1396 846">: The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control on pages 64 to 70 of the Annual Report 2021.</p> <p data-bbox="544 887 1396 949">The Role and Responsibilities under the Risk Management Framework are as follows:</p> <table border="1" data-bbox="557 987 1396 2013"> <thead> <tr> <th data-bbox="557 987 839 1055">Authority Level</th> <th data-bbox="839 987 1396 1055">Role and Responsibilities</th> </tr> </thead> <tbody> <tr> <td data-bbox="557 1055 839 1496">Board of Directors</td> <td data-bbox="839 1055 1396 1496"> <ul data-bbox="855 1070 1380 1480" style="list-style-type: none"> <li>• Approves and oversees the Enterprise Risk Management ("ERM") Framework and internal control system (incorporating Policies and Scope), including changes or additions.</li> <li>• Responsible for determining the overall Group's level of risk tolerance and review, assess and monitor the effectiveness and adequacy of the risk management and internal control system.</li> </ul> </td> </tr> <tr> <td data-bbox="557 1496 839 1854">Audit Committee ("AC") and Risk Management Committee ("RMC")</td> <td data-bbox="839 1496 1396 1854"> <ul data-bbox="855 1512 1380 1839" style="list-style-type: none"> <li>• Develops &amp; implements the ERM Framework and internal control system.</li> <li>• Reviews the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system.</li> </ul> </td> </tr> <tr> <td data-bbox="557 1854 839 2013">Executive Risk Committee ("ERC")</td> <td data-bbox="839 1854 1396 2013"> <ul data-bbox="855 1870 1380 2007" style="list-style-type: none"> <li>• Assists the RMC in overseeing risk management through its ERM framework.</li> <li>• Ensures that Management and Risk</li> </ul> </td> </tr> </tbody> </table>	Authority Level	Role and Responsibilities	Board of Directors	<ul data-bbox="855 1070 1380 1480" style="list-style-type: none"> <li>• Approves and oversees the Enterprise Risk Management ("ERM") Framework and internal control system (incorporating Policies and Scope), including changes or additions.</li> <li>• Responsible for determining the overall Group's level of risk tolerance and review, assess and monitor the effectiveness and adequacy of the risk management and internal control system.</li> </ul>	Audit Committee ("AC") and Risk Management Committee ("RMC")	<ul data-bbox="855 1512 1380 1839" style="list-style-type: none"> <li>• Develops &amp; implements the ERM Framework and internal control system.</li> <li>• Reviews the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system.</li> </ul>	Executive Risk Committee ("ERC")	<ul data-bbox="855 1870 1380 2007" style="list-style-type: none"> <li>• Assists the RMC in overseeing risk management through its ERM framework.</li> <li>• Ensures that Management and Risk</li> </ul>
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Audit Committee ("AC") and Risk Management Committee ("RMC")	<ul data-bbox="855 1512 1380 1839" style="list-style-type: none"> <li>• Develops &amp; implements the ERM Framework and internal control system.</li> <li>• Reviews the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system.</li> </ul>								
Executive Risk Committee ("ERC")	<ul data-bbox="855 1870 1380 2007" style="list-style-type: none"> <li>• Assists the RMC in overseeing risk management through its ERM framework.</li> <li>• Ensures that Management and Risk</li> </ul>								

	<p>Owners maintain an effective process to identify, evaluate and manage risks.</p> <ul style="list-style-type: none"> <li>• Provides guidance and advice with respect to risk management and monitor risks across the key risk areas.</li> </ul>
Management and Risk Owners of Operating Business Units	<ul style="list-style-type: none"> <li>• Identify and prioritise risks and participate in the Group's risk identification and assessment process.</li> <li>• Ensure risks are identified, managed and regularly assessed and provide regular updates on risks as well as key indicators measuring the extent of the risks.</li> <li>• Document the controls and processes to manage the risks of their respective functional areas.</li> </ul>

The Group's system of internal control comprises the following key elements:

- 1) An on-going process and framework for identifying, evaluating and managing significant risks faced by the Group which is in place for the year under review and up to the date of approval of this statement for inclusion in the annual report and reviewed by the Directors.
- 2) Clearly documented risk management principles, standard operating procedures and policies are regularly reviewed to meet operational needs and clearly communicated to employees.
- 3) The Board conducts quarterly reviews of the Group's performance and financial position at its meetings to ensure that the Group's overall objectives are achieved. At business units and divisional levels, the Management Team holds meetings on a regular basis to discuss, review, evaluate and resolve operational, financial and key management issues.
- 4) Each business unit is required to prepare annual budgets to be tabled to the Board for approval. Scheduled operational and Management meetings are held to discuss and review business plans, budgets, financial and operational performances of the business units.
- 5) The Code of Ethics and Business Conduct ("Code of Conduct") is implemented within the Group and each employee is contractually bound to abide by the Code of Conduct. This Code serves to guide employees to conduct themselves in the utmost professional manner in dealing with company matters.
- 6) A clearly defined delegation of responsibilities is set for Committees of the Board, the Management Team and business operating units, including assigning appropriate authority levels to the various divisions of the business.
- 7) Insurance coverage and physical safeguards over major assets

	(property, plant and equipment, investment properties and inventories) are in place to ensure that the assets of the Group are adequately covered against any mishap that may result in material losses to the Group.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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.

## Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted						
<b>Explanation on adoption of the practice</b>	:	<p>The Risk Management Committee ("RMC") was established on 21 December 2011. The RMC was reconstituted on 1 July 2020. Presently, the RMC consists of four (4) members, three (3) of whom are Independent Non-Executive Directors.</p> <table border="1"><thead><tr><th><b>Name</b></th><th><b>Directorship</b></th></tr></thead><tbody><tr><td>Chairman: Hew Von Kin</td><td>Group Executive Director cum Chief Financial Officer</td></tr><tr><td>Members: Ng Chek Yong Chia Kuo Wui Tan Beng Ling</td><td>Senior Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director</td></tr></tbody></table> <p>The RMC is assisted by the Executive Risk Committee ("ERC") in overseeing risk management through the Enterprise Risk Management framework. The ERC is led by the Group Executive Director and its members comprise of divisional or department heads.</p>	<b>Name</b>	<b>Directorship</b>	Chairman: Hew Von Kin	Group Executive Director cum Chief Financial Officer	Members: Ng Chek Yong Chia Kuo Wui Tan Beng Ling	Senior Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director
<b>Name</b>	<b>Directorship</b>							
Chairman: Hew Von Kin	Group Executive Director cum Chief Financial Officer							
Members: Ng Chek Yong Chia Kuo Wui Tan Beng Ling	Senior Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director							

## Intended Outcome

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

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has also established an independent internal audit function that reports directly to the AC.</p> <p>The Group Internal Audit Department (“IAD”) provides an independent assessment on the adequacy, effectiveness and reliability of the Group’s risk management processes and system of internal controls. The IAD reviews compliance with policies and procedures and advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The IAD also conducts a follow up review on the implementation status of action plans previously agreed by Management.</p> <p>The internal audit plan for Group IAD is approved by the AC on an annual basis. The results of the audits and recommendations for improvement co-developed with Management are tabled at AC meetings for discussion and subsequent assessment. Key and significant risk issues will be escalated to the RMC for deliberation, followed by subsequent monitoring of management actions.</p> <p>The scope of work covered by the internal audit function during the financial year under review is provided on pages 67 and 69 of the Statement on Risk Management and Internal Control of the Annual Report 2021.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Head of Group Internal Audit Department (“IAD”), Ms. Wong Ngik Moi, was appointed in March 2016. She is a member of the 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 and Corporate Risk Management. She is supported by one (1) Senior Executive and one (1) Executive. The Group IAD maintains its impartially, proficiency and due professional care when executing its plans and reports directly to the Audit Committee.</p> <p>The Group IAD has assessed the system of internal controls, where applicable, based on the principles of COSO Internal Controls - Integrated Framework (“COSO Framework”). The COSO principles outline five essential components of an effective internal control system, namely (i) Control Environment; (ii) Risk Assessment; (iii) Control Activities; (iv) Information and Communication; and (v) Monitoring. The Group IAD conducted the audit with reference to the guidelines of the International Professional Practise Framework, International Standards for the Professional Practice of Internal Auditing, and following the guideline of the Institute Auditors’ Code of Ethics as well as the Group’s and the Company’s policies.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## Intended Outcome

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.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><u>Investor Relations</u></p> <p>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.</p> <p>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, press releases, the Company's annual report and circular to shareholders, if applicable.</p> <p>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 developments of the Group. The corporate presentations and interim financial highlights are made available on the Company's website at <a href="http://www.hai-o.com.my">www.hai-o.com.my</a>.</p> <p>To maintain a high level of transparency and effectively address any issues or concerns, the Company maintains a dedicated electronic mail, <a href="mailto:ir@hai-o.com.my">ir@hai-o.com.my</a> to which stakeholders can direct their queries for Investor Relations purposes.</p> <p><u>Corporate Disclosure Policies &amp; Procedures</u></p> <p>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 Policies &amp; Procedures 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.</p>

	<p><u>Leverage on Information Technology for effective dissemination of Information</u></p> <p>The Hai-O Group has also leveraged on information technology for broader and effective dissemination of information and has established an Investor Relations section within the Hai-O Corporate website 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 general meetings and others.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

## Intended Outcome

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.

## Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not a large company as defined under the Malaysian Code on Corporate Governance.	
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Notice of AGM was served to the shareholders of the Company on 22 September 2021, at least 28 days prior to the 46<sup>th</sup> AGM which is scheduled on 21 October 2021. The notice of the 46<sup>th</sup> AGM was published in the Annual Report and uploaded on the Company's website upon release to Bursa Securities.</p> <p>The Notice of AGM provides detailed explanation for resolutions proposed that are relevant, where required and necessary, to enable shareholders to make informed decisions regarding AGM business agenda of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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 Directors attended the 45th AGM, the Court Convened Meeting and the Extraordinary General Meeting held during the financial year.</p> <p>The Directors together with the Senior Management team, External Auditors were present at the general meetings to answer queries from the shareholders who participated in the Question and Answer session.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company held its 45th AGM on 1 October 2020. The Company had also convened its Court Convened Meeting and Extraordinary General Meeting on 19 May 2021 to consider the Proposed Internal Reorganisation exercise. The three (3) meetings were held virtually from the broadcast venue located in Kuala Lumpur, Malaysia.</p> <p>Likewise, for conducting virtual general meeting, the Board must also ensure that the meeting supports meaningful engagement between the Board, Senior Management and shareholders. This includes having in place the required infrastructure and tools to among others, a smooth broadcast of the general meeting and interactive participation by shareholders.</p> <p>Resolutions put forth are voted by the members via electronic voting to ensure accurate recording of votes. All resolutions will be put to vote by poll.</p> <p><u>46<sup>th</sup> AGM scheduled on 21 October 2021</u></p> <p>In view of the unprecedented circumstances arising from the nationwide measures that have been implemented by the Government of Malaysia to contain the spread of COVID-19, the Company's 46<sup>th</sup> AGM will be conducted on a virtual basis through live streaming and remote voting using the Remote Participation Electronic Voting.</p> <p>This is in line with Practice 12.3 that the Company is leveraging on technology to enable remote shareholders' participation and online remote voting in accordance with Section 327 of the Companies Act 2016 and Clause 68(ii) of the Company's Constitution.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA  
MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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