

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Hartalega Holdings Berhad ("the Company" or "Hartalega") is committed to safeguarding the interests of its stakeholders and recognises the importance of corporate governance in achieving this objective. The Board knows that transparent disclosure of its organisational and management structure as well as other aspects of its corporate governance helps stakeholders to assess the quality of the Group and its management and assists investors in their investment decisions.

The Board is committed to ensuring that the Group's corporate governance is in line with the principles and best practices set out in Part 1 of The Malaysian Code on Corporate Governance ("the Code"). The Board further acknowledges the recommended best practices and the adopted alternative practices set out in Part 2 of the Code and continues to evaluate the status of the practices and the adopted alternatives.

A. THE BOARD OF DIRECTORS

The Board takes full responsibility for the performance of the Group and guides the Group towards achieving its short and long-term objectives, setting corporate strategies for growth and new business development while providing advice and direction to the Management to enable the Group to achieve its corporate goals and objectives.

Composition of the Board and Board Balance

The Board comprises members who have vast experience in the glove industry as well as professionals in the finance and consulting sectors. The Board brings in a wide spectrum of diverse skills and expertise to the Group which allows it to meet its objectives in the competitive glove manufacturing landscape.

A brief profile of each Director is presented on pages 12 to 17 of this Annual Report.

The Board currently has eight (8) members comprising four (4) Non-Independent Executive Directors and four (4) Independent Non-Executive Directors. This fulfils the one third (1/3) independence requirement.

Mr. Kuan Kam Hon takes on the role of Executive Chairman of the Group. Given his capability to show leadership, entrepreneurship skills, business acumen and vast experience in the glove industry, the Board continues to maintain this arrangement which is in the best interests of the Group.

All the Directors have given their undertaking to comply with the Listing Requirements of Bursa Securities and the Independent Directors have confirmed their independence in writing.

CORPORATE GOVERNANCE STATEMENT

Board Responsibilities

Having recognised the importance of an effective and dynamic Board, the Board's members are guided by the area of responsibilities as follows:

- Reviewing and adopting strategic plans for the Group;
- Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed;
- Identifying the principal risks and key performance indicators of the Group's businesses and ensuring that appropriate systems are implemented and/or steps are taken to manage these risks;
- Developing and implementing an investor relations programme or shareholder communication policy for the Group; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Appointments to the Board

Nomination Committee

The Nomination Committee comprises the following members:

Name of Director	Designation	Directorship
Dato' Mohamed Zakri bin Abdul Rashid	Chairman	Senior Independent Non-Executive
Chuah Phaik Sim	Member	Independent Non-Executive
Liew Ben Poh	Member	Independent Non-Executive

CORPORATE GOVERNANCE STATEMENT

The Board annually reviews the required mix of skills, experience and other qualities of the Directors to ensure that the Board is functioning effectively and efficiently.

The Nomination Committee's primary responsibilities include:

- (a) leading the process for Board appointments and making recommendations to the Board;
- (b) assessing Directors on an ongoing basis; and
- (c) annually reviewing the required skills and core competencies of Non-Executive Directors, including familiarisation with the Company's operations.

Re-Election of Directors

In accordance with the Company's Article of Association, all Directors including Directors holding an executive position of Chief Executive Officer or Managing Director, if any, shall retire from office at each Annual General Meeting, provided always that every Director shall retire at least once every three (3) years. The retiring Directors shall be eligible to offer themselves for re-election. Directors who are appointed by the Board during the financial year shall hold office until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meetings.

Directors' Training

The Group acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of the economy, technological advances in the core business, latest regulatory updates, and management strategies. In compliance with the Listing Requirements and the relevant Practice Note issued by Bursa Securities, all Directors have completed their Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities.

The Directors are also aware of their duty to undergo appropriate training from time to time to ensure that they are equipped to carry out their duties effectively. The Board is mindful therefore of the need to keep abreast of changes in both the regulatory and business environments as well as new developments within the industry in which the Group operates. Whenever the need arises, the Company provides briefings of new recruits to the Board, to ensure they have a comprehensive understanding of the operations of the Group and the Company.

CORPORATE GOVERNANCE STATEMENT

During the financial year, the Directors have attended the following conferences and training programmes:

Training Attended	Date
6th International Rubber Glove Conference and Exhibition	4-6 September 2012
BFM Breakaway Seminar	28 September 2012
Sustainability Training for Directors and Practitioners	22 November 2012
Managing Corporate Risk and Achieving Internal Control through Statutory Compliance: Bursa Malaysia	5 December 2012
Audit Committee Conference 2013	12 March 2013
Powering for Effectiveness	12 March 2013

Supply of Information

The Board has a formal schedule of matters for decision-making to ensure that the direction and control of the Group is firmly in its hands.

Prior to each Board meeting, a full agenda together with relevant reports and comprehensive Board papers would be distributed to all Directors on a timely basis to enable the Directors to consider the matters to be deliberated and where necessary, obtain further information.

Proceedings of Board meetings are duly recorded and signed by the Chairman of the meeting.

Every Director has full and timely access to all Group information, records, documents and property to enable them to discharge their duties and responsibilities effectively. The Directors, whether collectively or individually, may seek independent professional advice in furtherance of their duties at the Company's expense, if required.

CORPORATE GOVERNANCE STATEMENT

Board Meetings

During the financial year under review, five (5) board meetings were held. Details of attendance of each individual Director in respect of the meetings held are disclosed below:

Name of Directors	Meetings Attended
Kuan Kam Hon @ Kwan Kam Onn	5/5
Dr Danaraj A/L Nadarajah	5/5
Chuah Phaik Sim	5/5
Dato' Mohamed Zakri bin Abdul Rashid	5/5
Kuan Mun Keng	4/5
Kuan Mun Leong	5/5
Liew Ben Poh	4/5
Dato' Tan Guan Cheong	5/5

During the financial year ended 31 March 2013, five Board meetings were convened on 8/5/2012, 10/7/2012, 7/8/2012, 6/11/2012 and 5/2/2013 respectively.

Restriction on Directorships

The number of Directorships held by the Directors is stated in the Profile of Directors in the Annual Report.

Board Committees

The Board has established the following Committees to assist the Board in discharging its duties and responsibilities effectively:

- Audit Committee
- Nomination Committee
- Remuneration Committee

The terms of reference of each Board Committee are set out in Board Charter and have been approved by the Board. These Committees have the authority to examine particular issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The report of the Audit Committee is set out on pages 46 to 49 of this Annual Report.

Nomination Committee

The details of the Nomination Committee are set out on page 9 of this Annual Report.

Remuneration Committee

The details of the Remuneration Committee are set out on page 9 of this Annual Report.

In line with best practices in Corporate Governance, the Code recommends the establishment of the following committees:

1) Nomination Committee

The primary function of the Nomination Committee is to propose new nominees for the Board and to assess Directors on an ongoing basis.

As the existing Board members are professionals from diverse disciplines, the Board collectively undertakes to review the required skills sets annually to ensure that it has an optimal mix of expertise and experience.

2) Remuneration Committee

The primary function is to set the policy framework for the remuneration of the Directors to ensure that the policy on Directors is sufficient to attract and retain Directors of the calibre needed to manage the Group successfully.

The determination of remuneration of our Executive and Non-Executive Directors shall be a matter to be determined by our Board as a whole after taking into consideration the Remuneration Committee's recommendation.

CORPORATE GOVERNANCE STATEMENT

B. DIRECTORS' REMUNERATION

(a) Remuneration Procedure

The remuneration of Directors is formulated to be competitive and realistic, emphasis being placed on performance and calibre, with aims to attract, motivate and retain Directors with the relevant experience, expertise and quality needed to assist in managing the Group effectively.

For Executive Directors, the remuneration packages link rewards to corporate and individual performance whilst for the Non-Executive Directors, the level of remuneration is linked to their experience and level of responsibilities undertaken.

The level of remuneration for the Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. The determination of the remuneration package of Non-Executive Directors, including Executive Chairman should be a matter for the Board as a whole. The individuals concerned should abstain from discussing their own remuneration.

The Remuneration Committee's primary responsibilities include establishing, reviewing and recommending to the Board the remuneration packages of each individual Executive Director and the Company Secretary.

The Remuneration Committee is also responsible for recommending the remuneration for the senior management and that the remuneration should reflect the responsibility and commitment that goes with it.

The primary roles and responsibilities of the Committee are clearly defined and include the following:

- To review the required mix of skills, experience and other qualifications which Directors (including Independent Directors) should bring to the Board in order for the Board to function effectively;
- To annually review and assess the contribution of each individual Director and to recommend to the Board new candidates for appointment as Director if there is a need for additional Board Members;
- To recommend to the Board a framework for remuneration for the Board and each Executive Director, which includes but is not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and
- To establish objectives, performance criteria and measurement to evaluate the performance and effectiveness of the Board as a whole and to assess the contribution by each individual Director.

CORPORATE GOVERNANCE STATEMENT

(b) Directors' Remuneration

In the case of Executive Directors, the remuneration package is structured to reward corporate and individual performance while for Non-Executive Directors the remuneration reflects the experience and level of responsibilities undertaken.

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Company during the financial year was as follows:

Category	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit in Kind (RM)
Executive Director	210,000	2,480,962	55,493
Non-Executive Director	168,000	32,500	0

Directors' remuneration is broadly categorised into the following bands:

Range of Remuneration (RM)	Number of Executive Directors	Number of Non-Executive Directors
Below 50,000	0	3
50,001 – 100,000	0	1
300,001 – 350,000	1	0
400,001 – 450,000	1	0
550,001 – 600,000	1	0
1,400,001 – 1,450,000	1	0

CORPORATE GOVERNANCE STATEMENT

C. SHAREHOLDERS

Dialogue between Company and Investors

The Group recognises the importance of communication with its shareholders and utilises many channels to disseminate information and to interact with them. The Group has a website in which shareholders and the public can access up-to-date information about the business and the Group. The Group's website can be accessed at www.hartalega.com.my.

In addition, the Group makes various announcements on business developments using traditional mass media throughout the year. The Group also releases financial results on a quarterly basis according to Bursa Malaysia's requirements.

The Group also aims to have full interaction with fund managers, institutional investors and analysts. The Group has established a Corporate Affairs department designated for investor relations. During the year, the Group has arranged for Executive Directors and Senior Management to communicate and meet with investors and analysts to brief them on the ongoing business landscape.

Information is disseminated in strict adherence to disclosure requirements of Bursa Malaysia Securities Berhad.

Annual General Meeting

The Annual General Meeting serves as an important means for shareholder communication. Notice of the Annual General Meeting and Annual Reports are sent to shareholders twenty one days prior to the meeting.

At each Annual General Meeting, the Board presents the progress and performance of the Group's business and encourages attendance and participation of shareholders during question and answer sessions. The Chairman and the Board will respond to all questions raised by the shareholders during the Annual General Meeting.

CORPORATE GOVERNANCE STATEMENT

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects through the quarterly announcement of results to Bursa Malaysia as well as the Chairman's Statement, review of operations and annual financial statements in the Annual Report. The Audit Committee assists the Board in ensuring accuracy and adequacy of information by overseeing and reviewing the financial statements and quarterly announcements prior to the submission to Bursa Securities.

The Directors are responsible to ensure that the annual financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia and the Companies Act 1965. The Statement of Directors' Responsibility in relation to preparing the financial statements is set out separately in Section E.

Risk Management and Internal Control

The Board is committed to maintaining a sound system of internal control within the Group. The Board acknowledges that a good system of internal control covering all aspects of the business including compliance and risk management is required to safeguard shareholders' investment and the Group's assets.

Information on the Group's internal control is set out in the Statement on Risk Management and Internal Control located on page 50 of this report.

Relationship with Auditors

The Board has a formal and transparent relationship with its auditor Messrs. Baker Tilly AC (formerly known as Messrs. Moore Stephens AC). The external auditor through its statutory audit function continues to review, evaluate and refine the Group's accounting policies and procedures including internal control measures.

This statement is made in accordance with the resolution of the Board of Directors dated 9 July 2013.

CORPORATE GOVERNANCE STATEMENT

E. RESPONSIBILITY STATEMENT BY DIRECTORS

The Board is responsible to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year ended.

In preparing the financial statements, the Directors have:

- (i) Adopted the appropriate accounting policies and applied them consistently;
- (ii) Made judgements and estimates that are reasonable and prudent;
- (iii) Ensured applicable approved accounting standards have been followed and any material departures have been disclosed and explained in the financial statements; and
- (iv) Ensured the financial statements have been prepared on a going concern basis.

The Board is responsible for keeping proper accounting records of the Group and the Company, which disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act 1965 and the applicable approved accounting standards in Malaysia.

The Board is also responsible for taking reasonable steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE STATEMENT

F. COMPLIANCE STATEMENT

The Company has, in all material aspects, complied with the recommendations of the Code throughout the financial year, save for the following:

- (a) The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director; and
- (b) Formalise, periodically review and make public Board Charter.

However, moving forward, the Board will take steps to appoint additional Independent Directors so that the Board comprises a majority of Independent Directors where the Chairman of the Board is not an Independent Director or to restructure its composition to be in line with the recommendations of the Code.

Going forward, the Board intends to strengthen its roles and responsibilities by:

- (i) Defining the Board schedule of matters of those functions reserved to the Board and delegated to management;
- (ii) Implementing a whistle blowing policy and procedure to provide employees with a mechanism to monitor compliance to the code of ethics;
- (iii) Setting out clearly the code of conduct that stipulates the sound principles to provide guidance to stakeholders on the ethical behaviours to be expected from the Group;
- (iv) Defining its business sustainability policy and ensuring its current business decision making process incorporates the elements of Environment, Social and Governance ("ESG") within its value chain in the business processes; and
- (v) Formalising the above actions into its Board charter and creating a new page on corporate governance in the present corporate website to keep the public and shareholder informed of its progress and status of the above actions.