

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (Board) of Oversea Enterprise Berhad (Company or Oversea) recognises the importance of corporate governance and is committed to maintain and promote high standards of corporate governance at all times in enhancing business prosperity and corporate accountability with the objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

This statement aims to provide an insight into the corporate governance practices of the Company on how the Company has applied the principles and recommendations in the Malaysian Code on Corporate Governance 2012 (MCCG 2012) for the financial year 2016 (FY2016). Other than the Directors, all management staff are also reminded that good governance is also part of their responsibilities.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Establish clear functions reserved for the board and those delegated to management

The Board is responsible for the business affairs and overall performance of the Company and its subsidiary companies. The Board plays an important role in determining the long term and strategic direction of the Group for the purpose of enhancing shareholders' value and to ensure long term sustainability of the Group.

The roles and responsibilities of the Board are set out in the Board Charter, with a schedule of matters specifically reserved for decision-making, which includes among others, approval of business strategies and plans, annual budget, acquisitions and disposals that are material to the business, declaration of interim dividend and recommendation of final dividend for approval by the shareholders, material corporate exercise, approval of financial statements and investment in project above a pre-determined limit.

In order to effectively discharge the Board's functions and responsibilities, the Board has entrusted certain responsibilities to the Board Committees and the Executive Directors. The Group's Managing Director together with other Executive Directors are supported by the management team. The duties pertaining to the implementation of the strategic plans and overseeing of the Group's day-to-day management and operation are delegated to the management team. The Chairman of the Board Committees and the Executive Directors report to the Board all important issues and concerns during Board meeting.

Establish clear roles and responsibilities in discharging its fiduciary and leadership functions

a. Reviewing and adopting the Company's strategic plans

The Board plays an important role in reviewing and adopting the strategic plans for the Group. The Executive Directors and the management team work together to formulate the yearly strategies and plans for the Group. The proposed strategies and business plans together with the Group budget will then be tabled for discussion and deliberation by the Board and approval sought from the Board before the commencement of a new financial year.

The formulation of the business plans and budget setting for the FY2016 commenced three months before the beginning of the financial year. During the process of strategic planning, the Executive Directors met the management team several times to discuss important issues and concerns in order to deliver the best outcomes. Previous year's business performance and economic factors and market conditions that may affect the performance of the businesses were taken into consideration in formulating the business plans and setting the Group budget. After much efforts, a well-defined business strategy map and action plans were properly drawn up and communicated to the respective Division Heads for their necessary actions.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

Establish clear roles and responsibilities in discharging its fiduciary and leadership functions cont'd

b. Overseeing the conduct of the Company's business

Under the leadership of the Group Managing Director, the Executive Directors oversee the day-to-day management and operation of the Group as a whole, to ensure the strategic objectives and plans of the Group are met.

The Executive Directors are supported by the management team to ensure that effective systems, controls and resources are in place to execute business strategies and decisions directed by them. The management team reports to the Executive Directors the significant operational issues and concerns arisen from the day-to-day operation and the progress of the key initiatives undertaken by the management team.

During the financial year under review, the Executive Directors conducted Group performance and budget reviews together with the management team. The management team analysed and reported to the Directors reason for variances and various operational issues and factors that affecting the business were also tabled for discussion. Necessary actions were taken to resolve problems faced and preventive actions were recommended and implemented to avoid recurrence of similar problems in future. The Board conducted quarterly review and evaluation of the Group's business plans and performance and the progress of the new projects, as well as approving the quarterly results within the stipulated timeframe. Management staff were invited to attend Board meetings to brief the Board on the financial and non-financial information and the achievement of the business performance as compared to the targets set as well as the progress of the key initiatives. The Board ensured that the performance reporting process linked objectives, principles and practices to its needs.

c. Identifying principal risks and ensuring the implementation of appropriate systems and mitigation measures

The Board, through the Risk Management Committee play a critical role in ensuring that the management is robustly challenged on aspects of principal risks are being identified, managed and monitored. The increased level of challenge will continue to assert the Company to focus more time and resources on how risk is effectively managed. As such, the Board shall ensure a sound system of risk management and internal control are in place and appropriate actions were taken to mitigate any risks.

During the financial year under review, the management team undertaken various initiatives in identifying possible risks that may affect the business of the Group by implementing policies and procedures and appropriate measures have been taken to mitigate risks.

d. Succession planning

The Board acknowledges that succession planning is an integral part of the business continuity plan of the Company in ensuring the Company continues to achieve its vision and mission. The Nominating Committee (NC) has been entrusted by the Board to identify and assess potential candidates for the position of the Board and key management. The NC seeks to ensure that an appropriate succession planning framework, including the formulation of the nomination, selection and succession policies and procedures for the succession planning are in place.

There was no new appointment of Director during the financial year under review. The NC will continue to perform its duty to identify potential candidates to ensure orderly succession of the senior management.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

Establish clear roles and responsibilities in discharging its fiduciary and leadership functions cont'd

e. Overseeing the development and implementation of a communication policy for the Company

The Board recognises the importance of being transparent and accountable to its shareholders of its latest business and corporate developments in enhancing value to its shareholders. The fundamental objectives of transparency and accountability, revolves around clear communication of relevant and comprehensive information that is timely and readily accessible by all shareholders and investors.

The Company is in the midst of formalising the Shareholders Communication Policy and upon completion, it will be tabled to the Board for adoption and approval upon completion. The following are the methods of communication made available since the listing of the Company:-

- General meetings;
- Bursa announcements;
- Annual report;
- Company's website;
- Press conferences/media releases; and
- Telephone/facsimile/e-mail/post.

f. Reviewing the adequacy and integrity of the management information and internal control system of the Company

The Board is committed to establish and maintain an adequate internal control system in all its business functions to provide reasonable assurance of effective and efficient operations, comply with the applicable laws and regulations as well as the internal policies and procedures of the Group.

The effectiveness of the internal control systems of the Group is assessed by outsourced Internal Auditors. All significant findings will be highlighted and deliberated at the Audit Committee (AC) meetings. During the FY2016, a total of four audit reports were issued and tabled at the AC meetings for discussion with the recommended corrective actions acted upon.

Details of the Group's internal control system and its effectiveness are disclosed in the Statement on Risk Management and Internal Control of this Annual Report.

Formalise ethical standards through a code of conduct and ensure its compliance

The Directors and the employees of the Group are expected to behave ethically and professionally at all times in accordance with the principles set out in the code of conduct. The code of conduct covers, among others, the aspects of the business operations, including compliance with the applicable laws, duties and responsibilities, conflict of interest, confidential information, workplace environment, working behaviour, discipline and conduct, use of resources, protecting Company's assets, dealing with external parties and dealings in securities. The code of conduct also prohibits expressly improper activities such as insider trading, bribery and corruption, and any competing or conflicting actions against the Company's well-being.

The code of conduct for Directors is set out in the Board Charter and will be communicated to new Director upon his/her appointment. All employees are required to understand and accept the terms of the code of conduct and it forms part of the Company's induction programme for newly joined employees.

A summary of the code of conduct is contained under Section 1.7 of this statement.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

Formalise ethical standards through a code of conduct and ensure its compliance cont'd

The Whistleblowing Policy which was adopted by the Board in 2014, aims at protecting the integrity, transparency, accountability and impartiality within the Group. It provides a structured reporting channel and guidance to all employees and stakeholders (shareholders, customers and suppliers) on how and to whom unethical behaviours, as well as actual or potential fraud within the Group shall be properly reported. The following are the summary of the reporting procedure and how the Company deals with the reports:-

Reporting Procedure

Employees of the Group who wish to report concerns for malpractice, illegal act or omission of work by any employee of the Group should be communicated to the immediate superior. If for any reason, it is believed that it is not possible or inappropriate to do so, the concern should be reported to the Group's General Manager, Mr. Yap Teck Beng (email: tbyap@oversea.com.my) and in case where reporting to the management is a concern, the report should be made directly to the Chairman of the AC, Mr. Koong Lin Loong (email: llkoong@llkg.com.my). Report by way of letter to both of them is also possible and the letter shall be posted to the head office of the Company at D-3A-1, Seri Gembira Avenue, Jalan Senang Ria, Taman Gembira, 58200 Kuala Lumpur. (To be marked "Strictly Confidential")

Dealing with report received

- i. All reports will be investigated promptly by the authorised person receiving the report;
- ii. All reports received anonymously will be treated with confidentiality;
- iii. Upon completion of investigation, the authorised person will prepare and endorse the investigation report and give recommendation to the AC and Board for their deliberation. Decision from the Board will be implemented immediately; and
- iv. Where applicable, proper steps will also be implemented to prevent recurrence of similar situation.

The code of conduct and the Whistleblowing Policy are available on the Company's website at www.oversea.com.my.

Strategies promote sustainability

In broad context, the environmental, social and governance aspect are the three pillars of sustainability in building a sustainable business. The Board is mindful of its responsibility to ensure that the Group's strategies continue to promote good corporate governance through these sustainability practices. The Company is in the midst drafting a formal Sustainability Policy to ensure that the Group's strategies continue to promote sustainability. The corporate responsibility activities carried out during the year are disclosed in the Sustainability and Corporate Social Responsibility Report on pages 10 to 11 of this Annual Report.

Access to information and advice

The Board has the rights to obtain complete and timely information concerning the financial and affairs of the Company in making decisions. As such, Directors have unrestricted access to any information pertaining to the Group and maintain a transparent relationship with the management team.

The Board papers, which include financial reports, minutes of the previous meeting, investment proposals, progress report and other relevant documents will be circulated to all Directors at least seven days in advance before each meeting. This ensures that Directors have sufficient time to prepare adequately for the meetings and expedite the decision making process during the Board meetings. Key management staffs are invited to attend Board meetings as and when necessary to provide explanation and information to the Board on significant corporate, financial and operational issues and proposals submitted for consideration by the Board.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

Access to information and advice cont'd

The Board has the rights to seek for independent professional advice at the expense of the Company in discharging its stewardship effectively and efficiently. In regard to this, individual Director shall first brought to the attention of the Chairman the purpose for such request for external advisers and the In-house Secretary shall assist the Director to source for the suitable advisors. When necessary, the proposal from the independent professional advisor shall be tabled for the Board's deliberation and approval. The Board shall ensure that the engagement of independent professional advice is solely in the interest of the Group. During the financial year under review, RHB Investment Bank Berhad was appointed as the principal advisor to undertake the proposed special Bumiputera issue of up to 12.5% of the enlarged issued and paid-up share capital of Oversea (Bumiputera Equity Condition) to Bumiputera investors to be identified. The appointment is necessary to comply with the Bumiputera Equity Condition and it was approved by the Board.

Qualified and competent Company Secretary

The Company Secretaries are qualified to act under Section 139A of the Companies Act, 1965 and are members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The Company Secretaries are responsible to provide support and guidance in advising the Board on all secretarial matters of the company, in particular the compliance of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) (Listing Requirements) and relevant rules and regulations, Company's Articles of Association, Board policies and procedures, boardroom effectiveness as well as the best practices on governance.

During the year under review and up to the date of this report, the Company Secretaries had facilitated the Board on the following matters:-

- i. Organised and attended all Board and Board Committee meetings and ensured that meeting procedures are followed and deliberations at such meetings are well minuted;
- ii. Prepared meeting agendas and documents required for the shareholders' meetings;
- iii. Released announcements and submitted annual financial statements and annual report to Bursa Securities on a timely manner;
- iv. Updated the Board on the amendments to the Listing Requirements and guidelines, and brought to the attention of the Board all circulars from Bursa Securities;
- v. Highlighted to the Board all compliance and governance issues and advised the Board on achieving highest standard of corporate governance in accordance to the recommendations in the MCCG 2012; and
- vi. Recommended available training programmes for the Directors to attend.

The Board is satisfied with the performance of the Company Secretaries in assisting them to discharge their duties.

Board Charter

The Board Charter serves as a guide to the Board members of their roles and responsibilities in discharging their duties as Directors. The principles of good corporate governance are set out in the MCCG 2012 and the Listing Requirements were taken into consideration during the process of formalising the Board Charter.

The Board adopted its Board Charter in May 2014. The Board Charter is subject to review by the Board as and when necessary to ensure it complies with all applicable laws, rules and regulations of the regulators and remain consistent with the policies and procedures of the Board.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

Board Charter *cont'd*

The Board Charter covers the following:-

- i. Duties and responsibilities of the Board;
- ii. Schedule of matters specifically reserved to the Board;
- iii. Roles of the Chairman of the board;
- iv. Roles of the Chief Executive Officer/Group Managing Director;
- v. Roles of the Company Secretary;
- vi. The Board Committees;
- vii. Code of conduct;
- viii. Board meeting;
- ix. Appointment, re-election and re-appointment of Directors;
- x. Directors' training;
- xi. Directors' remuneration;
- xii. Board and Board members assessment; and
- xiii. Review of the Board Charter.

As set out in the Board Charter, the summary of the roles and responsibilities and code of conduct of the Board are as follows:-

Roles and responsibilities

- i. Review and adopt the Group's strategic plan;
- ii. Overseeing the conduct of the Company's business;
- iii. Identifying principal risks and ensuring the implementation of appropriate systems and mitigation measures;
- iv. Establish and oversees a succession planning programme;
- v. Overseeing the development and implementation of a communication policy for the Company;
- vi. Reviewing the adequacy and integrity of the management information and internal control system of the Company;
- vii. Oversee the development and implementation of various Board policies;
- viii. Avoiding conflict of interest and ensuring disclosure of possible conflict of interest; and
- ix. Undertake various functions and responsibilities as specified in the guidelines and directives issued by the regulatory authorities.

Code of conduct

a. Corporate Governance

- i. Compliance with legal and regulatory requirements and Board policies at all times;
- ii. Recognise the primary responsibilities to the shareholders as a whole, having regard for the interest for all the stakeholders of the Group and to ensure that the Company is properly managed and effectively controlled;
- iii. Act in the best interest of the Company and its shareholders with integrity and in good faith, with due diligence and care;
- iv. To be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;
- v. Devote time and effort to attend meetings and to discharge those functions;
- vi. Must not allow personal interests, or the interest of any associated person, to conflict with the interests of the Company and report to the Board on any potential conflict;
- vii. Must not take improper advantage and not to make improper use of information of the position of Director;
- viii. Must not use price sensitive non-public information, which can affect the prices of the securities of the Company until and unless it becomes publicly known;
- ix. Keep confidential of the Board's discussions and deliberations; and
- x. Notify the Chairman before accepting any new directorship outside the Group and limit the directorship in listed issuers.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

Code of conduct *cont'd*

b. Relationship with Shareholders, Employees, Creditors and Customers

- i. Promote professionalism and improve the competency of management and employees at all times; and
- ii. Ensure adequate safety measures and provide proper protection to workers and employees at workplace.

c. Social Responsibilities

- i. Ensure the effective use of natural resources and consider the environment impact before disposal of waste;
- ii. Ensure the activities and the operations of the Company do not harm the interest and the well-being of the society; and
- iii. Proactive to the needs of the community and to assist in society-related programmes.

The Board Charter was last reviewed on 30 June 2016 and necessary updates such as schedule of matters specifically reserved to the Board on decision-making and circulation of the meeting papers to the Board were reflected in the Board Charter.

The Board Charter is accessible on the Company's website at www.oversea.com.my.

PRINCIPLE 2: STRENGTHEN COMPOSITION

Nominating Committee

The Nominating Committee (NC) of the Company comprises exclusively of Independent Non-Executive Directors.

Mr. Yau Ming Teck was appointed as the Chairman of the NC since 2010. The Board noted that the MCCG 2012 recommends that the Chairman of the NC should be a Senior Independent Non-Executive Director identified by the Board. As such, the Board will identify/appoint a Senior Independent Director for the Company as it deems necessary.

Among others, the key responsibilities of the NC are as follows:-

- i. To propose nominees for appointment to the Board and Board Committees;
- ii. To oversee the overall composition of the Board and Board Committees in terms of the appropriate skills and size, the balance between Executive Directors and Independent Non-Executive Directors and the mixture of skills and other core competencies required through annual review;
- iii. To assist the Board in carrying out annual assessment on the effectiveness of the Board and Board Committees as a whole, and the contribution, competencies, commitment and performance of each Director;
- iv. To facilitate the achievement of Board Gender Diversity policy, as well as the targets and measures to achieve it; and
- v. To carry out annual assessment on the independence of the Independent Directors.

Meetings are to be held as and when necessary with a quorum of two. Recommendations made by the NC are to be submitted to the Board for approval.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

Nominating Committee *cont'd*

During the FY2016, one meeting was held and attended by all the members. The main activities carried out by the NC were as follows:-

- i. Assessed the composition, knowledge, skills and experience of the Board;
- ii. Assessed the effectiveness of the Board and Board Committees;
- iii. Assessed the performance of individual Director;
- iv. Assessed the independence of the Independent Directors;
- v. Recommended to the Board who are retiring by rotation to be put forward for re-election at the forthcoming Annual General Meeting (AGM); and
- vi. Recommend the continuation in service of the Director who has reached the age of seventy;

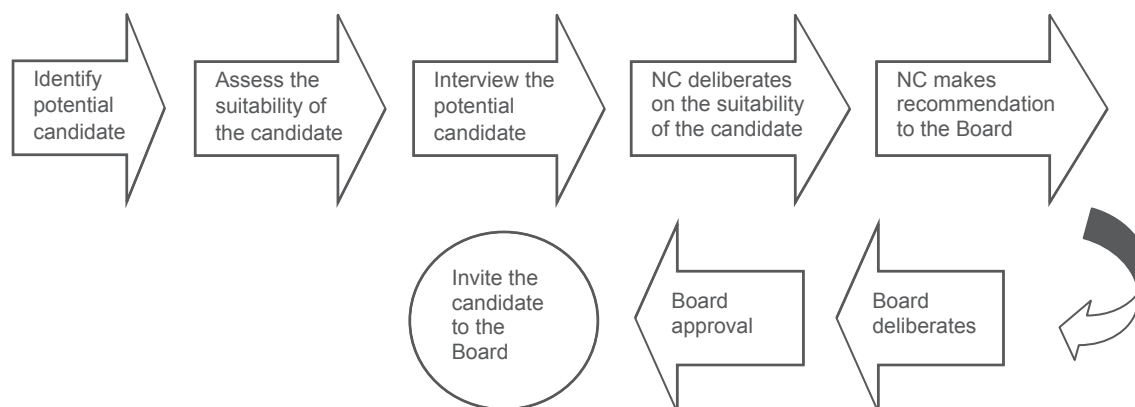
Develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors

The NC is entrusted to develop the policies and procedures in formalising the approach in the recruitment process and annual assessment of Directors, which serve as guides for the NC in discharging its duties in the aspects of nomination, evaluation, selection and appointment process of new Directors.

a. Determination of selection criteria for recruitment of Directors

In recommending to the Board of any appointment of Director, the NC considers the criteria, namely the composition requirements for the Board, the skills, knowledge, expertise, experience, professionalism, integrity, capability, time commitment, character, competence and such other relevant criteria of the proposed candidate. The NC will assess the independence of the candidate in the case of appointment of an Independent Non-Executive Director.

The process for the recruitment of new Director is summarised as below:-



During the financial year under review, there was no new appointment of Director to the Board. The Terms of Reference (ToR) of the NC is accessible on the Company's website www.oversea.com.my.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

Develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors

b. Annual assessment of Directors

The NC is responsible to carry out annual assessment on each individual Director in terms of their competency, contribution, time commitment and other qualities. The NC also carries out annual assessment on the effectiveness of the Board and the Board Committees as a whole based on the criteria of the required mix of skills and experiences, composition, boardroom diversity, and boardroom activities.

The NC shall also assess the Independent Non-Executive Directors of the Company in their capacities as Independent Directors, the AC and its individual members. The NC shall report to the Board the outcome of the evaluation and make recommendation to the Board on areas that required improvement.

The NC initiated the first assessment in February 2016, using the sample exhibits in the Corporate Governance Guide issued by Bursa Malaysia as the evaluation forms for performance evaluation for the Board and Board Committees and Director's peer evaluation. The NC had also reviewed and assessed the independence of the Independent Directors of the Company.

The NC had on 19 February 2016 reviewed and conducted the annual assessment.

c. Review of Directors proposed for re-election/re-appointment

Pursuant to the Articles of Association of the Company, all Directors shall retire at least once in every three years and at least one-third of the Directors for the time being shall retire by rotation and the Directors to retire at each AGM would be those who have been longest in the office. A retiring Director is eligible for re-election. Directors over seventy years of age are required to retire at each AGM and may offer themselves for re-appointment to hold office until the next AGM in accordance with Section 129 (6) of the Companies Act, 1965.

The results of the annual assessment for Directors form a basis in recommending the relevant Directors to the Board for re-election and re-appointment at the next AGM. In February 2016, the Board approved the recommendation of the NC that Mr. Lee Seng Fan, Mr. Koong Lin Loong and Mr. Chiam Soon Hock who are due for retirement by rotation pursuant to Article 85 of the Articles of Association of the Company, and Mr. Yu Soo Chye @ Yee Soo Chye, who is due for retirement pursuant to Section 129(6) of the Companies Act, 1965 at the forthcoming Twenty-First AGM, be eligible to stand for re-election and re-appointment. All four Directors had expressed their intention to seek re-election/re-appointment at the Twenty-First AGM.

The profiles of the said Directors are set out on pages 12 to 15 of this Annual Report.

d. Review of the composition of Board Committees

The NC is delegated by the Board to review the overall composition of the Board Committees, including succession planning to maintain the appropriate size and skills, the balance between Executive Directors, Non-Executive Directors and Independent Directors as well as the mixture of skills and other core competencies required on the Board. This is to ensure the Board Committees are able to discharge their duties and responsibility effectively and to meet the objectives of the Board Committees.

The NC shall take into account criteria such as time commitment and competency, as well as the background, qualification and knowledge of the potential candidates when selecting new members to be appointed in the Board Committees.

The ToR of the NC was revised on 30 June 2016 by incorporating the duty to review the composition of the Board Committees annually.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

Develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors cont'd

e. Boardroom diversity

Although the Board has yet to adopt any formal Board diversity policy, it recognises and embraces the importance of having a diverse Board that will benefit from a diverse mix of knowledge and experience, background, expertise, age, gender, ethnicity and other qualities in its composition. It is an essential element in maintaining competitive advantage by having diverse Board members to leverage different perspectives to various issues raised and help in decision making, which will contribute to the sustainable development of the Company. The NC will take into consideration the benefits of diversity in sourcing and selecting new Board members as well as in conducting annual assessment of Board and Board Committee members.

In supporting the gender boardroom diversity as stated in the Corporate Governance Blueprint 2011 and the MCCG 2012, the Board will endeavour to source for suitable and creditable women candidates in order to have more women participation in the boardroom as well as establishing a gender diversity policy.

Remuneration policies and procedures

The Board is mindful that fair remuneration for Directors is important in attracting, retaining and motivating knowledgeable and experienced individuals of the calibre needed to manage the business of the Company. The Remuneration Committee (RC) should benchmark the remuneration of the Directors against the remuneration levels for similar positions in other public listed companies in order to ensure that the Board's remuneration packages are competitive.

The RC has a formal and transparent procedure to review each Director's remuneration package which take into consideration on corporate and individual performance; experience and level of responsibilities of the Directors concerned. The RC is responsible for recommending to the Board for approval the remuneration packages of the Executive Directors, taking into consideration individual Director's performance, time commitment, experience, level of responsibilities, as well as the performance of the Group and market conditions.

As for Non-Executive Directors, the level of fee should reflect the experience and level of responsibilities undertaken by the said Non-Executive Directors. With the recommendation from the NC, the Board as a whole determines the fee for the Non-Executive Directors and seek approval from the shareholders at the AGM.

All individual Directors shall abstain from making decisions in respect of his own remuneration. Currently there is no fee or allowance payable to the Board Committee members.

The RC of the Company consists a majority of Non-Executive Directors.

Among others, the key responsibilities of the RC as stated in the ToR are as follows:-

- i. To ensure that remuneration for Directors is set at a competitive level to recruit, attract, retain and motivate high calibre individuals;
- ii. To recommend to the Board the remuneration packages for the Executive Directors;
- iii. To determine and agree with the Board an appropriate performance framework, assessing Directors' performance against targets and determine resultant annual remuneration levels; and
- iv. To determine the policy for and scope of service agreements for Directors, termination payment and compensation commitments.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

Remuneration policies and procedures *cont'd*

During the FY2016, one meeting was held and attended by all the members. The main activities carried out by the RC were as follows:-

- i. Reviewed the remuneration packages of the Executives Directors and made recommendation to the Board for approval; and
- ii. Reviewed and proposed to the Board the Directors' fees payable to the Non-Executive Directors for the FY2016, which is to be approved by the shareholders at the forthcoming AGM.

The Board had conducted a review on the remuneration package of Directors in February 2016 and is of the view that the current remuneration level is sufficient to attract, retain and motivate qualified Directors to serve on the Board.

The remuneration of the Executive Directors comprises of salaries and bonuses while the remuneration of the Non-Executive Directors comprises of annual fee. The details of the remuneration categorised into appropriate components, paid/payable to the Directors for the FY2016 are as follows:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' fees	-	108,000
Salaries and allowance	2,169,169	-
Other emoluments	-	-
Total Directors' Remuneration	2,169,169	108,000

Number of Directors whose remuneration falls into the following bands:-

	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM150,000 – RM200,000	2	-
RM200,001 – RM250,000	1	-
RM300,000 – RM350,000	1	-
RM350,000 – RM400,000	1	-
RM850,000 – RM900,000	1	-

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 3: REINFORCE INDEPENDENCE

Undertake an assessment of the Independent Directors annually

The Board recognises that it is important to assess the independence of its Independent Directors. An “Independent Director” must satisfy the definition of “independent director” set out in Rule 1.01 and Guidance Note 9 of the Listing Requirements.

Newly appointed Independent Directors are required to confirm and declare their independence by completing a questionnaire, prior to their appointment to the Board.

At the annual assessment carried out in February 2016, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and it will continue to conduct independence assessment annually with the assistance of the NC to ensure that the Independent Directors are able to exercise independent judgment and act in the best interests of the Group.

Tenure of Independent Directors

In accordance with the provision in the Board Charter, the tenure of an Independent Director should not exceed a cumulative term of nine years. The said Independent Director may continue to serve on the Board provided he/she is re-designated as a Non-Independent Director. In the event the Board intends to retain the said Director as Independent Director, the Board must justify the decision and seek shareholders’ approval at general meeting. The NC is responsible to carry out an assessment of independence of such Independent Director to justify such decision.

Shareholders’ approval for the retention of an Independent Director who has served in that capacity for more than nine years

No shareholders’ approval will be sought for the purpose to retain Independent Director at the forthcoming AGM as none of the Independent Director of the Company has served the Board in that capacity for more than nine years.

Separation of positions of Chairman and Managing Director

The role of the Chairman and the Group’s Managing Director remains unseparated. The Group’s Managing Director has primary responsibilities in managing the Group’s day-to-day operations and together with other Executive Directors, to ensure that the strategies are fully discussed and examined and take into consideration the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the various communities in which the Group conducts its business.

The Company has yet to identify a suitable non-executive Chairman for the Board. To comply with Recommendation 3.4 of the MCCG 2012 which is to promote accountability and facilitates division of responsibilities between Chairman and the Group’s Managing Director, the Company is putting efforts to identify/source for suitable candidate to be the non-executive Chairman of the Board. The target date to comply with this Recommendation is 31 December 2017.

The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director

In the event the Company is unable to identify/source for a suitable non-executive chairman for the Board, the Company will increase the number of Independent Directors in order to comply with Recommendation 3.5.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 4: FOSTER COMMITMENT

Expectations on time commitment for Board members and protocols for accepting new directorships

Each Board member is expected to devote sufficient time to carry out his/her role as a Director, and if applicable, as a member of the Board Committees, to effectively discharge their duties and to use their best endeavours to attend meetings.

The schedule for the Board meetings for the FY2016 was formulated in February 2015 and shared with the Directors before the beginning of the financial year to enable the Directors to plan accordingly and fit the year's meetings into their schedules.

The Board shall meet a minimum of four times a year at quarterly intervals. During the FY2016, four Board meetings were held to discuss and approve the Company's quarterly financial results, review of the Group's performance, business strategies and development activities and the progress of the investments; discuss and adopt audit planning, audit review reports and report from the Internal Auditors and other important issues raised that required the Board's input and approval. A special Board meeting was held on 23 March 2016 to discuss and approve a new investment.

All proceedings of the Board meetings are duly minuted, circulated to all Directors for their perusal prior to the confirmation of the minutes by the Chairman as a correct record. Director who has direct or indirect interest in the subject matter to be discussed during Board meetings will declare his or her interest and abstain from the decision making process.

All the Directors have complied with the minimum of 50% attendance requirement in respect of Board meetings as stipulated in the Listing Requirements for the FY2016. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. Details of attendance of each Director in respect of the Board meetings held during the FY2016 are as follows:-

No.	Name of Directors	No. of Board meetings attended
1.	Yu Soo Chye @ Yee Soo Chye	4/5
2.	Lee Pek Yoke	4/5
3.	Lee Seng Fan	4/5
4.	Khong Yik Kam	5/5
5.	Yu Tack Tein	5/5
6.	Koong Lin Loong	4/5
7.	Chiam Soon Hock	5/5
8.	Yau Ming Teck	4/5

The Directors are aware that the directorships for each Director is limited to five in public-listed companies. During the FY2016, none of the Director of the company exceeded the limit as prescribed by the Listing Requirements. The Board is satisfied that the current number of directorships held by the Board Members do not impair their ability or judgement in discharging their roles and responsibilities.

All Directors are expected to provide notification to the Chairman of the Board before accepting any new external board appointment in another public-listed company, and to indicate the estimated time that will be spent on the new appointment with assurance to the Chairman that he or she would be fully committed to fulfilling his or her role as a Director in the Company in spite of the new appointment.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 4: FOSTER COMMITMENT *cont'd*

The board should ensure its members have access to appropriate continuing education programmes

Training and Continuing Education Programme

Besides attending the Mandatory Accreditation Programme as required by Bursa Securities immediately after the appointment as Directors, the Directors are mindful of the needs to access to appropriate continuing education programs in order to upgrade and improve their knowledge and enhance their skills in discharging their duty and responsibilities as Directors. The NC has undertaken an assessment of the training needs of the Directors on 19 February 2016. The Company Secretary will keep Directors regularly advised of relevant training courses available for their consideration.

Details of the training programmes attended by the Directors during the FY2016 up to the date of this Annual Report are summarised as below:-

No.	Name of Directors	Training/Courses Attended
1.	Yu Soo Chye @ Yee Soo Chye	- National Entrepreneurs Convention.
2.	Lee Pek Yoke	- National Entrepreneurs Convention.
3.	Lee Seng Fan	- National Entrepreneurs Convention.
4.	Khong Yik Kam	- National Entrepreneurs Convention.
5.	Yu Tack Tein	- Improving Board Risk Oversight Effectiveness Analysis of Corporate Governance Disclosure in the Annual Reports of the Listed Issuers. - Audit Committee Conference 2016. - The Global Leadership Summit.
6.	Koong Lin Loong	- National Tax Conference 2015. - 2016 Budget Seminar. - 2016 Budget Seminar - Panelist. - National GST Conference 2015.
7.	Chiam Soon Hock	- Independent Directors - Regulator's Expectation.
8.	Yau Ming Teck	- Time & Priority Management Training.
9.	Yu Suat Yin (Alternate Director to Lee Pek Yoke)	- Consultancy Project for Performance Measurement System. - Develop Strategic Sales Initiatives and Sales Blueprint. - Philip Kotler Marketing Forum Malaysia 2015. - Strategy Maps & Balanced Scorecard. - Reshaping the Board's Expectation in Evaluating Opportunities when Executing Overseas Investments. - Improving Board Risk Oversight Effectiveness. - Analysis of Corporate Governance Disclosure in the Annual Reports of the Listed Issuers.

The Board will arrange for the induction programme to be conducted for any new appointment such as site visits and meetings with senior management personnel, as appropriate, to enable them to have a full understanding of the nature of the business, current issues within the Group and corporate strategies as well as the structure and management of the Group.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with applicable financial reporting standards

The Board is committed to provide and present a balanced, clear and comprehensive assessment of the Group's financial performance and prospects, through the annual financial statements and quarterly results to the shareholders and the regulatory authorities. The Board is also responsible for ensuring that accounting and other records are properly kept.

The Board is assisted by the AC in overseeing the financial reporting processes and the quality of the financial reporting of the Group. The AC reviews the annual and interim financial statements, and to ensure that the Group's accounting policies are consistently applied and supported by reasonable and prudent judgments and estimates; and that financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group. Timely release of quarterly results announcements, annual financial statements and annual report reflects the Board's commitment to provide transparent and up-to-date disclosures to the shareholders and the investors. The Internal Auditors carry out necessary assessment on the internal control system of the Group and report the findings to the AC on a quarterly basis.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements for the FY2016 is set out on page 40 of this Annual Report.

Policies and procedures to assess the suitability and independence of the External Auditors

The Board maintains a transparent and professional relationship with the Group's External Auditors. The AC invites the External Auditors to attend its meetings as and when required to discuss issues relating to audit plan, audit findings and the Group's financial statements. Private session between the AC and the External Auditors without the presence of the Executive Directors and the management staff is held to allow the AC and the External Auditors to exchange free and honest views and opinions on matters related to audit and audit findings of the Group. During the FY2016, the External Auditors was invited twice to the AC meetings on 15 May 2015 and 19 February 2016 and both parties had their private discussion session in each of the meeting.

The Company is preparing to put in writing the policies and procedures to assess the suitability and independence of the External Auditors and will table the same for approval by the Board. The External Auditors Suitability and Independence Assessment Policy shall cover the following areas:-

- i. The objective of the policy;
- ii. Selection and appointment procedure;
- iii. Assessment of independence;
- iv. Non-audit services;
- v. Term of audit partner;
- vi. Annual audit plan;
- vii. Annual performance assessment; and
- viii. Review

An assessment on the independence of the External Auditors was carried out in June 2016 and the AC was satisfied with the results of the assessment. Hence, the re-appointment of the External Auditors, Messrs Crowth Horwath for the financial year ending 31 March 2017 was recommended to the Board for approval by the shareholders at the Twenty-First AGM to be held on 25 August 2016.

In ensuring the effectiveness and independence of the External Auditors, the audit partner responsible for the external audit of the Company is subject to rotation at least every five years in accordance with the By-Laws of the Malaysian Institute of Accountants.

STATEMENT OF CORPORATE GOVERNANCE

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PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

Sound framework to manage risks

The Board assumes its overall responsibility in establishing a risk management framework and maintaining a sound system of risk management and internal control throughout the Group which provides reasonable assurance in ensuring the effectiveness and efficiency of the Group's operations that not limiting to financial aspects of the business but also operational and regulatory compliance. The ultimate objectives are to protect the Group's assets and safeguard shareholders' investments. Kindly refer to pages 38 and 39 of the Annual Report on the Statement on Risk Management and Internal Control for more information.

Internal audit function

The Company outsourced its internal audit function to an independent internal audit service provider who reports directly to the AC. The functions of the Internal Auditors are to assist the AC in providing independent assessment and review on the adequacy, efficiency and effectiveness of the key controls and processes in the operating units, as well as the governance aspect of the Group and to ensure compliance with the established policies and procedures of the Group. The Statement on Risk Management and Internal Control of the Company, which provides the key elements of internal control and risk management of the Group is set out on pages 38 and 39 of this Annual Report.

During the FY2016, the Internal Auditors conducted four audits which include the followings:-

- i. Corrective action plans for intellectual property, MIS, customer services and treasury for the Group;
- ii. Internal control systems for production, inventory and quality control for moon cakes;
- iii. Trade receivable and sales agent/distributor, trade payable and process disposal of moon cake for Haewaytian Cake House Sdn. Bhd. and Haewaytian Food Industries Sdn. Bhd; and
- iv. Corrective action plans for Restoran Tsim Tung Sdn. Bhd. and Restoran Oversea (Bandar Baru Sri Petaling) Sdn. Bhd. in respect of their system of internal controls and work processes.

The Internal Auditors reported to the AC the detailed findings and follow-up reviews on the implementation status of the action plans previously adopted by the management team.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate disclosure of policies and procedures

The Board is committed to provide timely, accurate, adequate and fair disclosure of corporate information to shareholders, investors, stakeholders and the general public. A Corporate Disclosure Policy has been approved and adopted since May 2014 with its objectives to raise awareness to the Board, management, officers and employees on the disclosure requirements and practices, to provide guidance and policies in disseminating of corporate information, to ensure compliance with all legal and regulatory requirements on announcement of material information and financial results; and to build good investor relations with the investing public.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE *cont'd*

Corporate disclosure of policies and procedures cont'd

In complying with the requirements to disclose all material information under applicable laws and the Listing Requirement in a timely manner, the Company shall adhere to the following basic disclosure principles:-

- i. All material information be announced immediately to Bursa Securities and made available at the Company's website;
- ii. The Company would endeavour to take a consistent approach to materiality;
- iii. Material information may be kept confidential temporarily if the immediate release of the information would be unduly detrimental to the interests of the Company, until it is appropriate to publicly disclose;
- iv. Disclosure must be factual and non-speculative;
- v. Inadvertent disclosures to be disclosed immediately via announcements;
- vi. Unfavourable material information must be disclosed as promptly and completely, consistent to favourable information;
- vii. Disclosure must be corrected immediately if found material error at the time it was originally disclosed;
- viii. The Company does not comment on rumours unless there is significant reaction in the market for the Company's listed securities; and
- ix. All investors must have equal access to material information.

The disclosure procedures are summarised as follows:-

- i. Company Secretary or the appointed merchant banker drafts the announcement;
- ii. All announcements be approved by the Executive Director before release;
- iii. For news and media release through the appointed industrial relations, the Corporate Disclosure Committee is responsible for the correctness of the contents; and
- iv. Once announcements or media releases are made, it will be posted and make available on the Company's website.

Leverage on information technology for effective dissemination of information

A dedicated section for corporate information is made available on the Company's website for the shareholders and the general public to access to the Company's financial statements, stock information, annual reports, quarterly results, announcements, as well as the corporate governance practices.

The Company has also created a social network channel via the Company's Facebook account, which allows stakeholders to put up any enquiries with regards to the Group.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage shareholder participation at general meetings

The Company dispatches notice of AGM and annual report to all shareholders at least twenty one days before the meeting to enable shareholders to go through the Annual Report and to note the resolutions to be passed at the meeting. The explanatory notes which contain the necessary information on the proposed resolutions on special business will enable a member to make an informed decision.

Shareholders are encouraged to participate in the question and answer session during the AGM in order to have a better understanding of the Group's performance and seek clarification of other matters of concern. The Chairman, the Board, External Auditors, Company Secretary and the key management staff are available at the AGM to respond to shareholders' enquiries and provide appropriate clarifications.

The AGM held on 24 August 2015 was well attended by the shareholders and proxies. Shareholders' suggestions and comments received during AGMs are reviewed and considered for implementation, wherever possible.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS *cont'd*

Encourage poll voting at general meetings

The latest amendments to the Listing Requirement requires all resolutions set out in the notice of general meeting be voted by poll. As such, the Company will make the necessary arrangements to conduct poll voting at the forthcoming Twenty-First AGM for all the proposed resolutions. The poll voting will be conducted electronically for the purpose of determining the outcome of resolutions more efficiently.

The Company will brief the shareholders the proper procedure of poll voting at the commencement of the AGM. A scrutineer, who must be independent of the person undertaking the polling process, will be appointed to validate the votes cast at the general meeting and announce the results of voting.

Promote effective communication and proactive engagements with shareholders

The Board recognizes the importance of communicating effectively with shareholders. The Company's AGM is the major event held annually to facilitate face-to-face communications between the Company and its shareholders. The Board is committed to the constructive use of the AGM for the Chairman and Directors to meet with shareholders, to explain to them the performance and the major developments of the Group and listen to their views and to answer their questions. Except for Mr. Koong Lin Loong, all Directors were present at the previous AGM of the Company held on 24 August 2015. All queries raised by the shareholders were properly addressed by the Board.

Other methods of communication with shareholders are through the corporate website, investor briefings, notice of meeting, annual report and public presentations. Shareholders are also encouraged to provide feedback and comments via email at info@oversea.com.my.

COMPLIANCE WITH BEST PRACTICES

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Group is generally in compliance with the best practices in corporate governance set out in the MCCG 2012 except the followings:-

Recommendation 3.4

The positions of Chairman and Group Managing Director should be held by different individuals, and that the Chairman must be a non-executive member of the Board.

Recommendation 3.5

The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director

The target timeline to comply the abovementioned recommendations is stated on page 27 of this Annual Report.