

STATEMENT OF CORPORATE GOVERNANCE

"The main thing is to keep the main thing main thing."

Trust is the glue of life. It is the most essential ingredient in effective communication. It is the foundational principle that holds all relationships. When the trust account is high, communication is easy, instant, and effective."

Inspirational quote by Stephen R. Covey, motivational writer

Drawing the inspiration from Mr. Stephen R. Covey, the Board of Directors ("the Board") of Oversea Enterprise Berhad ("Oversea" or "the Company") believe that in order to instill trust amongst its stakeholders, the "Main Thing" to do is to adopt a set of good corporate governance practices. The Board 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 shareholders value, whilst taking into account the interests of other stakeholders.

Setting out below is a statement aims to provide an insight on how the Group applied the principles and the extent of its compliance with the best practice as stipulated in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") under the leadership of the Board. Other than the Directors, all management staff are also reminded that good governance is also part of their responsibilities.

This statement also serves as a compliance with pursuant to Rule 15.25 of the ACE Market Listing Requirements ("ACE LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions reserved for the Board and those delegated to the Management

The Board

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 include but not limited to the followings:

- i. Approval of business strategies and plans;
- ii. Approval of Group annual budget;
- iii. Acquisitions and disposals that are material to the business;
- iv. Declaration of interim dividend and make recommendation of final dividend for approval by Shareholders;
- v. Material corporate exercise;
- vi. Approval of financial statements;
- vii. Investment in projects above a pre-determined limit;
- viii. Appointment of new Directors, Chief Executive Officer and other senior management positions based on recommendation of the Nominating Committee ("NC"); and
- ix. Related party transactions.

Board Committees

In order to effectively discharge the Board's functions and responsibilities, the Board entrusted certain responsibilities to the Board Committees and the Executive Directors. The Board Committees comprise Audit Committee ("AC"), Remuneration Committee ("RC"), NC, Risk Management Committee ("RMC") and Investment Committee which operate within their respective Terms of Reference ("TOR"). The Chairman of each of the Board Committees briefs at Board meetings on matters deliberated at the Board Committees.

Management Team

The Executive Directors are supported by the Key Senior Management team in managing the day-to-day business activities of the Group. The Key Senior Management team consists of senior employees holding the following positions:-

- (i) Yap Teck Beng - Group General Manager
- (ii) Soh Jin Yiat - Deputy Group General Manager
- (iii) Lee Fui Meng - Group Finance Manager

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

1.1 *Clear functions reserved for the Board and those delegated to the Management cont'd*

The individual profile of the Key Senior Management team is available for viewing at Pages 27 and 28 of this Annual Report.

The Group Managing Director reports to the Board significant issues and concerns relating to the business of the Group. The responsibilities of the Management, amongst others, are:

- i. Implement the approved strategies and plans of the Group;
- ii. Develop various policies and procedures and to ensure regulatory compliance;
- iii. Manage the Group's resources, such as financial, employees and assets;
- iv. Implement and manage the Group's risk management and internal control practices; and
- v. Provide the Board with accurate, timely and clear information to enable the Board to make decisions.

1.2 *Clear roles and responsibilities of the Board*

(a) *Reviewing and adopting the Company's strategic plans*

The Directors play an active role in formulating, reviewing and adopting the strategic plans for the Group. The Executive Directors and the Key Senior Management team work together to formulate the yearly strategies and plans for the Group for approval by the Directors.

The formulation of the business plans and budget setting for the financial year ended 31 March 2017 ("FY2017") commenced three (3) months before the beginning of the financial year. During the process of strategic planning, the Executive Directors met the Key Senior Management team several times to discuss important issues and concerns in order to deliver the best outcomes. Previous year's business performance, economic factors, change in market conditions and government regulations that may affect the performance of the businesses were taken into consideration in formulating the business plans and setting the Group budget.

For the FY2017, the Board has discharged of the following principal duties and responsibilities on the affairs of the Company and its subsidiary companies:-

i. Strategic Planning - Private Placement

The Company had on 23 September 2016 completed the Special Bumiputera Issue of 1,415,000 New Ordinary Shares of RM0.20 each in the Company to Bumiputera Investors identified and/or approved by the Ministry of International Trade and Industry.

ii. Strategic Planning - New Investment

Restoran Oversea JV (International) Sdn. Bhd., the subsidiary of the Company had on 15 August 2016 subscribed for 33.3% shares in Santaisan Sdn. Bhd. with intention to venture into new concept of café in Kuala Lumpur International Airport ("KLIA") 2 and Genting Highlands.

iii. Strategic Planning - New Outlets

Three (3) café outlets, namely WanHoi YAMCH'A and Taibae, both located at Sky Avenue, Genting Highlands and Santai YAMCH'A, located at KLIA 2 were successfully opened on 1 December 2016, 18 January 2017 and 6 January 2017, respectively.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

1.2 *Clear roles and responsibilities of the Board cont'd*

(b) **Overseeing the conduct of the Company's business**

The Board has a collective responsibility and accountability in overseeing the businesses of the Group.

The Independent Non-Executive Directors bring independent judgment and objective views to decisions taken by the Board. The Group Managing Director, on the other hand, is supported by the Executive Directors and the Key Senior Management team for the day-to-day management of the business and operations of the Group by ensuring that effective systems, controls and resources are in place to execute business strategies and plans entrusted to them. The Key Senior Management team highlights to the Executive Directors the significant operational issues and concerns arisen from the normal business operation and the progress of the key initiatives undertaken by them.

During the FY2017, the Executive Directors conducted quarterly Group performance and budget reviews together with the Key Senior Management team before AC and Board meetings. The Board monitors the performance of Key Senior Management team on a regular basis vide the insertion of the following agenda items in the Board Meetings:-

- “To review the financial performance for the quarterly financial period”; and
- “To receive the Progress Report on the Group for the quarterly financial period”.

The Key Senior Management team analysed the financial results and discussed on various operational issues and factors that affecting the businesses. Instructions were given by the Board to the Key Senior Management team to take necessary actions to rectify problems faced and preventive actions were taken to avoid recurrence of similar problems in future. Any enquiries/concerns raised by the Board members in relation to the abovementioned agenda items would be clarified by a member of the Key Senior Management team.

(c) **Identifying principal risks and ensuring the implementation of appropriate systems and mitigation measures**

The Board recognises the importance of managing risks and maintaining a sound system of internal controls which cover financial, operational and statutory compliance and appropriate actions shall be taken to mitigate risks.

The RMC leads by an Independent Non-Executive Director to assist the Board to oversee the risk management framework of the Group. The Chairman of the RMC reports to the Board on areas of high risk and the adequacy of compliance and control throughout the Group. A Steering Committee comprises of the Management staff from various departments was formed on 4 November 2016 to govern the risk management aspects of the respective departments. The Steering Committee is responsible to report to the RMC on key risks identified and action plans to mitigate such risks. As a result of the increased level of challenge, the RMC continues to devote additional effort, time and resources in managing risk.

The composition of the RMC and Steering Committee are as follows:-

RMC

Office	Name and Designation
Chairman	Chiam Soon Hock (<i>Independent Non-Executive Director</i>)
Member	Yu Suat Yin (<i>Vice President, Group Operation</i>)
Member	Yap Teck Beng (<i>Group General Manager</i>)
Member	Soh Jin Yiat (<i>Deputy Group General Manager</i>)

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

1.2 *Clear roles and responsibilities of the Board cont'd*

(c) **Identifying principal risks and ensuring the implementation of appropriate systems and mitigation measures** *cont'd*

Steering Committee

Office	Name and Designation
Chairman	Yap Teck Beng (<i>Group General Manager</i>)
Member	Yu Suat Yin (<i>Vice President, Group Operation</i>)
Member	Soh Jin Yiat (<i>Deputy Group General Manager</i>)
Member	Chow Way Keong (<i>Group Admin Manager</i>)
Member	Siew Lin Tai (<i>Group Purchasing Manager</i>)
Member	Lee Fui Meng (<i>Group Finance Manager</i>)
Member	Foo Chee Chung (<i>Group MIS Manager</i>)
Member	Lee Ying Hoe (<i>Group Marketing Manager</i>)
Member	Wong Mee Ling (<i>Group Human Resource Manager</i>)

The Company has implemented the following measurements in order to mitigate the risks during the FY2017:-

- For the purpose of preventive action for hardware failure, to avoid frustrated customers and lost sales, the Group has signed up a point-of-sales system back-up plan to ensure no interruption to the restaurant business operation, especially during peak festive season in January and February.
- As part of the security measures, new firewalls for servers were installed to prevent malicious attacks or targeted cyber threats.

Notwithstanding with the delegation to the RMC, the Board as a whole remains responsible for all the actions of the RMC with regards to the execution of the delegated role and this includes the outcome of the review and disclosure on key risks and internal control in the Company's Annual Report.

(d) **Succession planning**

The Board is mindful that succession planning is an integral part of the business continuity plan of the Company in ensuring the Company continues to achieve its long-term objectives. The Board, through the NC, is responsible for the succession planning of the Directors of the Company and Group. The NC has been entrusted by the Board to identify and assess potential candidates for the position in the Board and Key Senior Management team. 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.

In March 2017, the NC was successfully identified a new candidate from external source to fill up the vacancy within a short period of time in place of the outgoing Independent Non-Executive Director. Prior the appointment of the new Director, the NC carried out the necessary evaluation to ensure the proposed candidate meets the criteria in terms of skills, knowledge, expertise, experience, professionalism, integrity, time commitment, character, competence and number of directorships in other companies, and also evaluated the proposed candidate's ability to discharge such responsibilities/functions as expected from an Independent Non-Executive Director. Additionally, the NC has also taken into consideration the gender and age diversity as part of its evaluation process.

The NC had subsequently recommended to the Board for the appointment of the proposed candidate as Independent Non-Executive Director.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

1.2 *Clear roles and responsibilities of the Board cont'd*

(d) **Succession planning** *cont'd*

During the FY2017, Ms. Chui Mee Chuen has been appointed as Independent Non-Executive Director on 29 March 2017.

The NC will continue to perform its duty to identify potential candidates to ensure orderly succession of the position of the Board and Key Senior Management team.

(e) **Overseeing the development and implementation of a communication policy for the Company**

The Board recognises the importance of an effective communication channel between the Board, Shareholders and the general public and shall inform in a timely manner to its Shareholders of its latest business and corporate developments in enhancing value to its shareholders.

In consequence thereto, the Board had a Shareholders' Communication Policy in place to provide guidance as well as ensuring a consistent approach towards the Company's communication with the Shareholders.

A copy of the Shareholders' Communication Policy is available for viewing at the Group's corporate website at www.oversea.com.my.

During the FY2017, the Company has implemented the following manners to communicate with its Shareholders:

i. General meeting

The Twenty-First ("21st") Annual General Meeting ("AGM") was held on 25 August 2016. The Chairman of the AGM allowed reasonable time for questions and answers session in the AGM to ensure that all subject matters tabled are thoroughly considered and debated. The summary of the key matters discussed at the AGM of the company was uploaded onto the company's website after the AGM.

ii. Announcements made to Bursa Securities

Annual Report, quarterly financial results and various announcements made to Bursa Securities in accordance with the ACE LR of Bursa Securities.

iii. Annual Report and Circular to Shareholders

The Annual Report for year 2016 and Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature, together with the notice of AGM were distributed to Shareholders on 29 July 2016.

iv. Company's website

All announcements released to Bursa Securities are also appear in the Company's website at www.oversea.com.my. Shareholders and the general public may also access to the said website for information such as stock price, corporate information, financial information, Board Charter, TOR of the Board Committees, Annual Reports, outcome of the general meetings and other information.

v. Media release

Two (2) write-ups about the business of the Group were published on local newspapers in the months of September 2016 and February 2017, respectively and the clippings have been uploaded to the Company's website.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

1.2 *Clear roles and responsibilities of the Board cont'd*

(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 AC has been delegated by the Board to review the adequacy and integrity of the Group's internal control systems and management information systems. The AC has in turn entrusted the outsourced Internal Auditors, namely Pro Credential Services Sdn. Bhd., to carry out such tasks and the same be incorporated as part of the Internal Audit Plan of the year to be adopted. The Internal Auditors are required to report to the AC with their findings and recommendations on the status of the internal control system of the Group on a quarterly basis.

Details pertaining to the Group's internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control in this Annual Report.

1.3 *Code of Ethics and Conduct*

The Directors and the employees of the Group are expected to behave ethically and professionally for or on behalf of the Company comply with the Code of Ethics and Conduct of the Company.

The Code of Ethics and Conduct for Directors 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 Ethics and 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 Ethics and Conduct will be communicated to new Director upon his/her appointment. All Directors are required to understand and accept the terms of the Code of Ethics and Conduct and it forms part of the Company's induction programme for newly appointed Directors. The contents of the Code of Ethic and Conduct as set out in the Board Charter are as follow:

(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 business of the Group 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 as Director;
- viii. Must not use price sensitive non-public information, which can affect the prices of the securities of the Company or make any gain from such information 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

cont'd

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

1.3 Code of Ethics and Conduct *cont'd*

(b) Relationship with Shareholders, Employees, Customers, Suppliers and Visitors

- 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 employees, customers, suppliers and visitors 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 well-being of the society; and
- iii. Care and proactive to the needs of the community and to assist in society-related programmes.

A copy of the Board Charter is available for viewing at the Group's corporate website at www.oversea.com.my.

Whistle Blowing Policy

The Whistle Blowing Policy is established to provide employees or stakeholders (shareholders, customers and suppliers) with proper internal reporting channels and guidance to raise genuine concerns on any wrongdoing or improper/unlawful conduct, inappropriate behaviour or malpractices within the Group or any action that could be harmful to the reputation of the Group or compromise the interests of the shareholders, stakeholders and the public.

(a) 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 this is not possible or appropriate to do so, the concern should be reported to the Group General Manager as follow:-

Name : Mr. Yap Teck Beng
Email : tbyap@oversea.com.my
Mail : Oversea Enterprise Berhad
D-3-1 & D-3A-1, Seri Gembira Avenue,
Jalan Senang Ria, Taman Gembira,
58200 Kuala Lumpur, Wilayah Persekutuan
(Please mark "Strictly Confidential")

In case where reporting to the management is a concern, the report should be made directly to the Chairman of the AC. The channel of reporting is as follow:-

Name : Mr. Koong Lin Loong
Email : lkoong@lkg.com.my
Mail : Oversea Enterprise Berhad
D-3-1 & D-3A-1, Seri Gembira Avenue,
Jalan Senang Ria, Taman Gembira,
58200 Kuala Lumpur, Wilayah Persekutuan
(Please mark "Strictly Confidential")

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

1.3 *Code of Ethics and Conduct cont'd*

(b) Action(s) to be taken upon received the report

- i. All reports will be investigated promptly by the authorised person receiving the report. If required, he/she may seek assistance from the legal adviser or the Human Resource Department. He/She may also co-opt with any other employees from time to time to assist on investigation;
- ii. All reports received anonymously will be treated with confidentiality;
- iii. The person making anonymous report will be advised that maintaining anonymity may hinder an investigation. Irrespective of this, anonymity will be maintained as long as it's permitted by law or the person making the report indicates that he no longer wishes to remain anonymous;
- iv. All matters reported will be reviewed and if required, investigated by the authorised person within reasonable timeframe;
- v. Upon completion of investigation, the authorised person will prepare and endorse the investigation report and give recommendation to the Audit Committee and Board of Directors for their deliberation. Decision taken by the Board will be implemented immediately; and
- vi. Where possible, proper steps will also be implemented to prevent similar situation arising.

(c) Investigation

Upon receipt of concerns raised under the Whistle Blowing Policy, investigation shall be carried out as soon as it is practicable. The objectives of conducting investigation are as follows:

- i. To collate information relating to the allegation. This may involve taking steps to protect or preserve documents or materials;
- ii. To consider the information collected and draw conclusions objectively and impartially;
- iii. To maintain procedural fairness in the treatment of witnesses and the person who is the subject of the disclosure; and
- vi. To make recommendations to the relevant approving authority arising from the conclusions drawn concerning remedial or other appropriate actions.

At the conclusion of the investigation, the authorised investigator will submit his findings to the Group General Manager or the Chairman of the AC, as appropriate.

For FY2017, neither the Group General Manager nor the Chairman of the AC has received any report(s) of concern.

A copy of the Whistle Blowing Policy is available for viewing at the Group's corporate website at www.oversea.com.my.

1.4 *Promote Sustainability*

The Group recognises the importance of promoting sustainability in regards to economic, environmental and social. It aims to follow and to promote good sustainability practices and continually integrates them into the Group's decision-making and activities, to avoid, minimise or mitigate adverse environmental, social or economic impacts of all our activities and to encourage our clients and business partners to do the same.

In upholding the commitment to sustainability, the Company is desirous to establish a Sustainability Policy with the guiding principles as follows:-

- i. To consider sustainability issues and integrate these considerations into all our business decisions, taking into consideration the economic, environmental and social aspects;
- ii. To ensure that potential adverse impacts and risks are assessed and avoided, or where avoidance is not possible, minimized, mitigated and managed;
- iii. Caring for the environment and promoting a culture of sustainability. Endeavour to remain environmentally friendly, avoid environmental contamination from its production effluents, efficient use and conservation of energy and resources and minimisation of waste;

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

1.4 *Promote Sustainability cont'd*

- iv. Create awareness of sustainability among the employees, business associates and the community;
- v. Create a motivated, skilled and effective workforce through which organizational goals can be achieved by providing various training programs to staffs to boost their career growth;
- vi. To contribute to the society by participating in community or charity activities;
- vii. To observe and comply with all applicable legislation, regulations and practices; and
- viii. To maintain and promote high standards of corporate governance at all times.

The Board is in the midst of finalising the Sustainability Policy. The corporate responsibility activities carried out during the FY2017 are set out in the Sustainability and Corporate Social Responsibility Report on pages 16 to 19 in this Annual Report.

1.5 *Access to information and advice*

In ensuring the effective functioning of the Board, all Directors have individual and independent access to the advice and support services of the Company Secretaries, internal auditors and external auditors and, may seek advice from the management on issues under their respective purview.

During the FY2017, for each meetings, the meeting papers detailing the matters to be transacted at the meeting, had been circulated to all Directors three (3) days in advance of the meetings, so that the Directors have ample time to review and consider the relevant information.

Protocol for seeking of professional advisory services

Where applicable, the Directors whether as a full board or in their individual capacity, are encouraged to seek independent professional advice from the following parties:-

- For corporate and/or governance matters, the external Company Secretaries;
- For audit and/or audit-related matters, any representatives of the audit engagement team of the External Auditors or the outsourced Internal Auditors; and
- For any other specific issues where professional advice is required to enable the Board to discharge its duties in connection with specific matters, the Board may proceed to do so, upon the approval of the Executive Chairman, in relation to the quantum of fees to be incurred.

For the FY2017, the Board sought advices from the external Company Secretaries. Other than the above, the Board has not sought any other independent professional advices.

1.6 *Qualified and competent Company Secretaries*

The appointment and removal of the Company Secretaries is a matter for the Board. All Directors have unrestricted access to the advice and services of the Company Secretaries, who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

In performing their duties, the Company Secretaries carry out, amongst others, the following tasks:-

- Statutory duties as required under the Companies Act 2016, ACE LR of Bursa Securities, Capital Market and Services Act, 2007;
- Facilitating and attending Board and Board Committees Meetings, respectively;
- Ensuring that Board and Board Committees Meetings are properly convened and the proceedings are properly recorded;
- Ensuring timely communications of the Board level decisions to the Management for further action;
- Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;
- Maintaining records for the purpose of meeting statutory obligations;
- Facilitating the provision of information as may be requested by the Directors from time to time on timely manner and ensuring adherence to Board policies and procedures;

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

1.6 *Qualified and competent Company Secretaries cont'd*

- Facilitating the conduct of the assessment to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committees' notation;
- Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission, where applicable; and
- Rendering advice and support to the Board and the Management.

Both the Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators ("**MAICSA**") and are qualified to act as Company Secretaries under Section 235(2)(a) of the Companies Act 2016.

The brief profile of the Company Secretaries are as follows:-

Ms. Chua Siew Chuan, FCIS

Ms. Chua has been elected as a Fellow Member of the MAICSA since 1997. She has more than thirty-five (35) years of experience in handling corporate secretarial matters, with working knowledge of many industries and government services. She is the Immediate Past President of MAICSA and currently is the Chairperson of the Technical & Professional Practice Committee and Deputy Chairperson of the Membership Committee of MAICSA.

Ms. Chua is a Chartered Secretary by profession. She is the Managing Director of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Ms. Chua is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.

Ms. Chua has been appointed as Company Secretary to the Group with effect from 1 November 2016.

Mr. Cheng Chia Ping, ACIS

Mr. Cheng has been elected as an Associate Member of the MAICSA since 2012. He has more than ten (10) years of experience in handling corporate secretarial matters, with working knowledge of many industries and non-profit organisations.

Mr. Cheng is a Chartered Secretary by profession. He is a Manager (Corporate Secretarial) of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Mr. Cheng is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.

Mr. Cheng has been appointed as Company Secretary to the Group with effect from 1 November 2016.

The Board is satisfied with the support rendered by the Company Secretaries to the Board in the discharge of its roles and responsibility. The Company Secretaries play an advisory role to the Board on the Company's contribution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.

1.7 **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 MCGG 2012 and ACE LR were taken into consideration during the process of formalising the Board Charter.

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. The Board Charter was reviewed and approved by the Board on 30 June 2016.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

1.7 *Board Charter cont'd*

The Board Charter entails the following:

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

A full copy of the Board Charter is available for viewing at the Group's corporate website at www.oversea.com.my.

PRINCIPLE 2: STRENGTHEN COMPOSITION

2.1 *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.

(a) **Board Committees**

The Board has in place the following Board Committees to assist in carrying out its fiduciary duties:-

- i. AC;
- ii. NC;
- iii. RC;
- iv. RMC; and
- v. Investment Committee.

All Board Committees have written TOR clearly outlining their objectives, duties and power. The final decision on all matters are determined by the Board as a whole.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

2.1 *Composition of Board Committees cont'd*

(b) AC

The AC was set up on 6 November 2009 with current TOR revised on 30 June 2016.

The membership of the AC are stated in the AC Report of this Annual Report. A summary of works of the AC to discharge their duties during the FY2017 is set out in the AC Report of this Annual Report.

A copy of the TOR of the AC is available for viewing at the Group's corporate website at www.oversea.com.my.

(c) NC

The NC was set up on 17 May 2010 with current TOR revised on 30 June 2016. The NC comprises exclusively of Independent Non-Executive Directors as follows:-

NC	Designation	Directorate	Number of NC Meeting attended/held in the FY2017
Chui Mee Chuen (Appointed w.e.f. 29 March 2017)	Chairperson	Independent Non-Executive Director	-
Koong Lin Loong	Member	Independent Non-Executive Director	1/1
Chiam Soon Hock	Member	Independent Non-Executive Director	1/1

The Chairman of the NC is the Independent Non-Executive Director of the Company. The NC is governed by its TOR of NC which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the NC as defined in the TOR, including but not limited to the following:-

- i. To propose nominees for appointment to the Board and Board Committees as additional member or filling up vacancy. The NC should consider the candidates' skills, knowledge, expertise, experience, professionalism, integrity, time commitment, character, competence and number of directorships in companies outside the Group, and in the case of candidates for the position of Independent Non-Executive Director, the NC should ensure the candidate meets the requirements as an Independent Non-Executive Director;
- ii. To oversee the overall composition of the Board and Board Committees in terms of the structure, size and composition;
- iii. To assist the Board in carrying out annual assessment on the effectiveness of the Board and Board Committees and the performance of each Director;
- iv. To carry out annual assessment on the independence of the Independent Directors;
- v. To assess on an annual basis the tenure of an Independent Director, to ensure it does not exceed a cumulative term of nine (9) years;
- vi. To make recommendation to the Board concerning the re-election of any Director under the retirement by rotation; and
- vii. To identify and assess potential candidates for the position of the Board and key management, to ensure that an appropriate succession planning framework is in place.

A copy of the TOR of the NC is available for viewing at the Group's corporate website at www.oversea.com.my.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

2.1 *Composition of Board Committees cont'd*

(c) NC *cont'd*

Pursuant to Rule 15.08A(3) of the ACE LR of Bursa Securities, the summary of activities of the NC during the FY2017 were disclosed as follows:-

- i. Reviewed and confirmed the minutes of the NC Meeting held in financial year ended 31 March 2016;
- ii. Carried out necessary evaluation before appointing Ms. Chui Mee Chuen as an Independent Non-Executive Director;
- iii. Carried out annual assessment on the effectiveness of the Board, the contribution of each Director and the Board committees;
- iv. Recommended the re-election of Mr. Koong Lin Loong and Mr. Lee Seng Fan who retired pursuant to Article 85 of the Company's Articles of Association at the 21st AGM held on 25 August 2016; and
- v. Recommended the re-appointment of Mr. Yu Soo Chye @ Yee Soo Chye as Director of the Company pursuant to Section 129(2) of the now Repealed Companies Act, 1965 at the 21st AGM held on 25 August 2016.

The NC is mindful that policy on the tenure of the Independent Directors is necessary to be developed and the action for the development will be taken when appropriate.

(d) RC

The RC was set up on 17 May 2010 with current TOR revised on 30 June 2016. The RC comprises two (2) Non-Executive Directors and the Group Managing Director and the composition of the RC is as follows:-

RC	Designation	Directorate	Number of RC Meeting attended/held in the FY2017
Chiam Soon Hock	Chairman	Independent Non-Executive Director	1/1
Yu Soo Chye @ Yee Soo Chye	Member	Executive Director	1/1
Chui Mee Chuen (Appointed w.e.f. 29 March 2017)	Member	Independent Non-Executive Director	-

The RC is governed by its TOR of RC which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the RC as defined in the TOR, including but not limited to the following:-

- i. To ensure that the 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 and to review and assess the remuneration packages of the Executive Directors in all forms, with or without other independent professional advice or other outside advice to reflect the Board's responsibilities, expertise and complexity of the Company's activities;
- 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;
- v. To determine and recommend to the Board any performance related pay schemes for the Executive Directors and/or any other persons as the RC is designated to consider by the Board; and
- vi. Review and recommend to the Board a formal and transparent remuneration policy and framework for Non-Executive Directors.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

2.1 *Composition of Board Committees cont'd*

(d) RC *cont'd*

A copy of the TOR of the RC is available for viewing at the Group's corporate website at www.oversea.com.my.

The following is the summary of activities undertaken by the RC during the FY2017:-

- i. Reviewed and confirmed the minutes of the RC Meeting held in financial year ended 31 March 2016;
- ii. Deliberated on the remuneration packages of the Executive Directors of the Company for the FY2017 and recommended the same to the Board for approval; and
- iii. Reviewed the Directors' fees payable to the Directors of the Company for the FY2017 and recommended the same to the Board of Directors for approval.

(e) RMC

The RMC was set up on 19 August 2011 with current TOR revised on 22 May 2017.

The membership of the RMC are stated in the Corporate Information of this Annual Report. The RMC is governed by its TOR of RMC which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the RMC as defined in the TOR.

A copy of the TOR of the RMC is available for viewing at the Group's corporate website at www.oversea.com.my.

During the FY2017, three (3) RMC meetings were held, i.e. on 7 October 2016, 16 November 2016 and 24 January 2017. The key activities carried out by the RMC were as follows:-

- i. Appointment of the Chairman of RMC and confirmed the composition of the RMC;
- ii. Reviewed the TOR of the RMC;
- iii. Reviewed the duties and responsibilities of the Steering Committee and the reporting guidelines;
- iv. Reviewed the updated risk determination of each department;
- v. Reviewed the recommended action plan for each of the identified risk; and
- vi. Reviewed the insurance coverage for both public and product liabilities.

(f) Investment Committee

The Investment Committee was set up on 17 May 2010 with current TOR dated 19 August 2011.

The membership of the Investment Committee are stated in the corporate information of this Annual Report. The Investment Committee is governed by its TOR of Investment Committee which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the Investment Committee as defined in the TOR.

A copy of the TOR of the Investment Committee is available for viewing at the Group's corporate website at www.oversea.com.my.

During the FY2017, two (2) Investment Committee meetings were held. The activities carried out by the Investment Committee were as follows:-

- i. Reviewed the performance of the Malaysian cuisine cafe outlet in Hong Kong, including identification of opportunity to maximise utilisation of spare capacity;
- ii. Reviewed the performance the bakery outlet in Taiwan, including analysing the costing of the products, internal control and standard operating procedures, and the expenses and results of new product development; and
- iii. Reviewed the performance of the restaurant outlet in Adelaide, Australia and problems encountered, and the decision on its closure.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

2.2 *Develop, maintain and review the criteria for recruitment and annual assessment of Directors*

The NC is entrusted to develop 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.

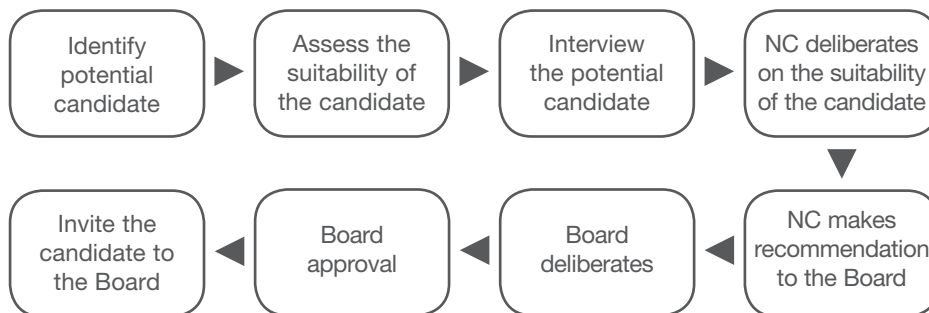
(a) **Determination of selection criteria for recruitment of Directors**

Appointment of Directors

In recommending to the Board of any appointment of Director, the NC considers the criteria, namely the composition requirements for the Board, 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 follows:-



During the FY2017, Ms. Chui Mee Chuen (“**Ms. Chui**”), a Independent Non-Executive Director was appointed to the Board on 29 March 2017.

The recruitment process commenced from the identification of Ms. Chui as the potential candidate for the position of Independent Non-Executive Director by the Management from external source in February 2017.

The profile of Ms. Chui was then forwarded to the NC for consideration. A NC meeting was held on 10 March 2017 to discuss and evaluate the suitability of Ms. Chui for the position of Independent Non-Executive Director. The NC has discussed and assessed the suitability of Ms. Chui by reviewing the profile in details. The criteria being taken into consideration were skills, knowledge, expertise, experience, professionalism, integrity, time commitment, character, competence and number of directorships in other companies. As Ms. Chui is to be appointed as Independent Non-Executive Directors, the NC has also evaluated Mr. Chui in term of independence to ensure Mr. Chui satisfied the test of independence under the ACE LR of Bursa Securities.

An interview with Ms. Chui was carried out after the discussion for the purpose to validate the assessment of Ms. Chui.

After due deliberations, the members of the NC concluded that the Proposed Candidate met the criteria as an Independent Non-Executive Director and be recommended for Board approval as the new Independent Director in place of Mr. Yau Ming Teck who has indicated his intention to resign as Independent Non-Executive Director. The Board has subsequently on 29 March 2017, approved the appointment of Ms. Chui as Independent Non-Executive Director of the Company, Chairman of the NC, and member of both the AC and RC.

The Board noted that the MCGG 2012 recommends that the Chairman of the NC should be a Senior Independent Non-Executive Director identified by the Board. Hence, the Board will identify/appoint a Senior Independent Director for the Company as it deems necessary.

The Directors observe the recommendation of the MCGG 2012, that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

2.2 *Develop, maintain and review the criteria for recruitment and annual assessment of Directors cont'd*

(a) **Determination of selection criteria for recruitment of Directors** *cont'd*

Appointments to Board Committees

The review is conducted on an annual basis, and as and when the need arises, such as when a new Director is appointed. In determining the candidates for appointment to the Board Committees, various factors are considered by the NC, including but not limited to the following factors:-

- i. The needs of the particular Board Committees;
- ii. The results of the Board Effectiveness Evaluation for the Board Committees;
- iii. Time commitment and availability;
- iv. Regulatory requirements; and
- v. Best practices or governance practices.

During the FY2017, Ms. Chui was appointed as the Chairman of the NC, and the member of both the AC and RC in place of Mr. Yau Ming Teck on 29 March 2017.

(b) **Annual assessment of Directors**

Assessment of the effectiveness of the Directors, the Board as a whole and the Board Committees are being carried out annually. The objective is to improve the Board's effectiveness by identifying gaps, maximise strengths and address weaknesses. The Chairman of the Board oversees the overall evaluation process and responses are analysed by the NC, before being tabled and discussed at the Board.

The NC conducted the following assessments annually:-

i. **Directors' self-assessment**

In conducting the assessment, the following main criteria were adopted by the NC:-

- Contribution to interaction;
- Quality of Input; and
- Understanding of Role.

Based on the assessment conducted for the FY2017, the NC was satisfied with the performance of the individual Directors.

ii. **Evaluation on the effectiveness of the Board and Board Committees**

In conducting the evaluation, the following main criteria were adopted by the NC:-

- Establish clear roles and responsibilities;
- Strengthen composition;
- Reinforce independence;
- Foster commitment;
- Uphold integrity in financial reporting;
- Recognise and manage risks;
- Ensure timely and high quality disclosure; and
- Strengthen relationship between Company and Shareholders.

Based on the evaluation conducted for the FY2017, the NC was satisfied with the performance of the Board and Board Committees.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

2.2 *Develop, maintain and review the criteria for recruitment and annual assessment of Directors cont'd*

(c) **Review of Directors proposed for re-election/re-appointment**

In accordance with the Article 85 of the Company's Articles of Association, one-third (1/3) of the Directors for the time being, or the number nearest to one-third (1/3) shall retire from office at each AGM provided always that all Directors shall retire from office at least once every three (3) years in compliance with the Rule 7.26(2) of the ACE LR of Bursa Securities.

In accordance with the Article 92 of the Company's Articles of Association, any Director appointed by casual vacancy shall hold office until the next following AGM and shall then be eligible for re-election.

At the forthcoming AGM, Ms. Chui Mee Chuen, Mr. Yu Tack Tein and Madam Lee Pek Yoke were due for retirement and being eligible have offered themselves for re-election.

Mr. Yu Soo Chye @ Yee Soo Chye shall hold office until the conclusion of the forthcoming Twenty-Second AGM pursuant to Section 129(6) of the now Repealed Companies Act, 1965 and being eligible has offered himself for re-appointment.

In determining the Director's eligibility for re-election/re-appointment, the NC conducted the following assessments:-

- i. Formal review of the performance of the retiring Directors, taking into account the results of the latest Board Effectiveness Evaluation, the time commitment to discharge their roles, the level of contribution to the Board through their skills, experience and strength in qualities; and
- ii. Ability to act in the best interest of the Company in decision-making.

Upon review, the NC were satisfied with the performance of the abovementioned Directors and recommended their re-election/re-appointment to the Board for approval. The Board has in turn, recommended the same to be considered by the Shareholders at the forthcoming Twenty-Second ("22nd") AGM of the Company.

(d) **Boardroom diversity**

The NC 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.

Despite the Board not having a formal Board Diversity Policy, the Board has indicated its commitment to boardroom diversity as follows:-

Gender Diversity

The Board is supportive of the gender boardroom diversity as stated in the Corporate Governance Blueprint 2011 and the Board will source for suitable and creditable women candidates.

In supporting the recommendation of the MCCG 2012, women candidate are sought for the Board to have more women participation, the Board has successfully appointed an additional female Director i.e. Ms. Chui Mee Chuen on 29 March 2017 to participate in the boardroom.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

2.2 *Develop, maintain and review the criteria for recruitment and annual assessment of Directors cont'd*

(e) **Boardroom diversity** *cont'd*

Ethnicity Diversity

The NC does not set any target on ethnicity diversity but endeavour to include any member who will improve the Board's overall composition balance.

Age Diversity

The Board believes that the Directors with diverse age profile will be able to provide a different perspective and bring vibrancy to the Group's strategy making process.

The age profile of the Directors were ranging from late thirties to seventies years of age, which underlies the Board's commitment to age diversity at the Board level appointment. Ms. Chui Mee Chuen, the newly appointed Director on 29 March 2017 was thirty-nine (39) years of age.

2.3 *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 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 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 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 FY2017 are as follows:

Company

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

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

2.3 Remuneration policies and procedures *cont'd*

Group

	Executive Directors (RM)	Non- Executive Directors (RM)
Directors' fees	-	108,000
Salaries and allowance	2,171,454	-
Other emoluments	-	-
Total Directors' Remuneration	2,171,454	108,000

Number of Directors whose remuneration falls into the following bands:

Company

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

Group

	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	-

For the financial year ended 31 March 2017, Directors' fees of RM108,000/- have been recommended to the Shareholders for approval at the forthcoming 22nd AGM of the Company.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 3: REINFORCE INDEPENDENCE

3.1 *Annual assessment of the Independent Directors*

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 ACE LR of Bursa Securities.

The Board has conducted annual assessment on its Independent Directors through the assistance of the NC. To be in line with such recommendation, the Board has put in place proper policies and procedures to ensure effectiveness of the Independent Non-Executive Directors on the Board.

The Board considers that its Independent Directors provide an objective and independent views on various issues dealt with at the Board and Board Committees level. All Independent Non-Executive Directors are independent of management and free from any relationship. The Board is of the view that the current composition of Independent Directors fairly reflects the interest of minority shareholder in the Company through the Board representation.

3.2 *Tenure of Independent Directors*

MCCG 2012 recommended that the tenure of an Independent Director should not exceed a cumulative terms of nine (9) years. Upon completion of the nine (9) years' terms, an Independent Director may continue to serve on the Board subject to the Director's re-designations as a Non-Independent Director.

Open Policy on Tenure of Service by Independent Non-Executive Directors (“INEDs”)

Whilst acknowledging the recommendation of the MCCG 2012, the Board subscribes to an open policy on the tenure of INEDs whereby there should not be an arbitrary tenure be imposed on the INEDs. The Board believes that the length of tenure of Independent Directors on the Board does not interfere with their objective and independent judgement or their ability to act in the best interest of the Company. In addition, the Board will take into consideration of the existing board composition viz-a-viz the commercial interest/ benefits of the Company.

In view thereof, the Board shall provide justifications and seek Shareholders' approval in the event it proposes to retain an Independent Director who has served the Board in that capacity for more than nine (9) years, upon the prior review and relevant recommendation from the NC.

3.3 *Retention of an Independent Director who has served in that capacity for more than nine (9) years*

During the FY2017, the Board noted that none of its Independent Directors have attained a tenure of nine (9) years as at the date of this Statement. Therefore, there is no such need for the Company to seek for Shareholders' approval on the said purpose at the forthcoming 22nd AGM of the Company.

3.4 *Separation of positions of Chairman and Group Managing Director*

The Board recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to ensure a balance of power and authority.

Role of Founder/Chairman of the Board

Being the founder of “Restoran Oversea (海外天)”, Mr. Yu Soo Chye @ Yee Soo Chye has become as synonymous as the brand name itself which protrude confidence and good quality of Cantonese cuisine. Therefore, the Board has resolved to maintain Mr. Yu Soo Chye @ Yee Soo Chye as Chairman of the Board to continue in his role as the unofficial “Oversea's brand ambassador” for the business continuation of the Group. Notwithstanding the non-adherence to the Recommendation 3.4 of the MCCG 2012.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 3: REINFORCE INDEPENDENCE *cont'd*

3.4 Separation of positions of Chairman and Group Managing Director *cont'd*

Role of the Group Managing Director

With approximately fifty-six (56) years of industry experience under his belt, Mr. Yu Soo Chye @ Yee Soo Chye has extensive experience in the operation and management of food services outlets.

As a mitigating measure, there is a clear division of responsibilities between the Chairman and Group Managing Director. The Board has outlined the roles and responsibilities of the Chairman of the Board through the Board Charter.

In addition, he is also assisted by other Executive Directors who each have a distinct executive role within the Group.

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

The Board noted the Recommendation 3.5 of the MCCG 2012 stating that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

The Company has been making steady progress in adhering to the Recommendation with the appointment of Ms. Chui Mee Chuen as the Independent Non-Executive Director.

PRINCIPLE 4: FOSTER COMMITMENT

4.1 Time commitment

The Board requires its member to devote sufficient time to carry out their duties 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.

For the FY2017, the Board had convened a total of four (4) Board Meetings for the purposes of deliberating on the Company's quarterly financial results at the end of every quarter and discussing important matters which demanded immediate attention and decision-making. During the Board Meetings, the Board reviewed the operation and performance of the Group and other strategic issues that may affect the Group's business. Relevant staff were invited to attend some of the Board Meetings to provide the Board with their views and clarifications on issues raised by the Directors.

(a) Review of attendance by the NC

The NC has been tasked to review the attendance of the Directors at Board and/or Board Committee meetings. Upon review, the NC noted the Board members have devoted sufficient time and effort to attend Board and/or Board Committee meetings for the FY2017.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 4: FOSTER COMMITMENT *cont'd*

4.1 *Time commitment cont'd*

(a) **Review of attendance by the NC** *cont'd*

Details of attendance of each Director in respect of the Board meetings held during the FY2017 are as follows:

No.	Name of Directors	No. of Board Meetings attended	% of Attendance
1.	Yu Soo Chye @ Yee Soo Chye	3/4	75%
2.	Lee Pek Yoke	3/4	75%
3.	Lee Seng Fan	3/4	75%
4.	Khong Yik Kam	4/4	100%
5.	Yu Tack Tein	4/4	100%
6.	Koong Lin Loong	3/4	75%
7.	Chiam Soon Hock	4/4	100%
8.	Yau Ming Teck (Resigned w.e.f. 29 March 2017)	3/4	75%
9.	Chui Mee Chuen (Appointed w.e.f. 29 March 2017)	-	-

The Board will also meet on an ad-hoc basis to deliberate urgent issues and matters that require expeditious Board direction or approval. In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approval can be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

Meeting papers were prepared to provide relevant facts, analysis and recommendations for supporting the proposals to enable informed decision-making by the Board. The agenda and papers for meetings were furnished to the Director and Board Committees' member three (3) days in advance to enable them to prepare for the meetings.

All proceedings of the Board meetings are duly minuted and circulated to all Directors for their perusal prior to the confirmation of the minutes by the Chairman as a correct record. The Company Secretaries record the proceedings of all meetings include pertinent issues, the substance of inquiries, if any, and responses thereto, members' suggestion and the decision made, as well as the rationale for those decisions. By doing so, the Company Secretaries keep the Board updated on the follow-up actions arising from the Board's decisions and/or requests at subsequent meetings. The Board is therefore able to perform its fiduciary duties and fulfil its oversight role towards instituting a culture of transparency and accountability in the Company.

(b) **Annual meeting timetable**

In facilitating the schedule of the Directors, the Company Secretaries will prepare and circulate in advance an annual meeting timetable, which includes all the proposed meeting dates for Board and Board Committee Meetings, as well as the AGM. Upon the concurrence by all the Board members, the annual meeting timetable will be adopted for the applicable financial year.

(c) **Board appointment in other Companies**

As a matter of protocol, as stipulated under Clause 2(iv) of the Board Charter, prior to the acceptance of new Board appointment(s) in other companies, the Directors should notify the Chairman of the Board and/or the Company Secretaries in writing. The said notification should include an indication of time that will be spent on the new appointment.

For the FY2017, the Chairman has on 10 January 2017 received notification from Mr. Yau Ming Teck (resigned w.e.f. 29 March 2017) upon acceptance of his new directorship in HLT Global Berhad.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 4: FOSTER COMMITMENT *cont'd*

4.2 Directors' training

The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge of its duties.

The Board has cultivated the following best practices:-

- i. All newly appointed Directors are required to attend the Mandatory Accreditation Training Programme (MAP) as prescribed by Bursa Securities within the stipulated timeframe;
- ii. All Directors are encouraged to attend talks, training programmes and seminars to update their knowledge on the latest regulatory and business environment;
- iii. The Directors may be requested to attend additional training courses according to their individual needs as a Director/Board Committee's member on which they serve; and
- iv. The Directors are briefed by the Company Secretaries on the letters issued by Bursa Securities at the Board Meeting.

All Directors have attended the MAP prescribed by Bursa Securities.

Upon assessing the training needs of the Directors, the Board recognised that continuing education would be the way forward in ensuring its members are continually equipped with the necessary skills and knowledge to meet the challenges ahead. As at the date of this Statement, the Board has participated in the following continuing education programmes:-

No.	Name of Directors	Training/Courses Attended
1.	Yu Soo Chye @ Yee Soo Chye	<ul style="list-style-type: none">• Management Discussion and Analysis Statement• Companies Act 2016
2.	Lee Pek Yoke	<ul style="list-style-type: none">• Management Discussion and Analysis Statement• Sustainability Forum for Directors/CEOs: "The Velocity of Global Change & Sustainability – The New Business Model"• Companies Act 2016
3.	Lee Seng Fan	<ul style="list-style-type: none">• Management Discussion and Analysis Statement• Companies Act 2016
4.	Khong Yik Kam	<ul style="list-style-type: none">• Management Discussion and Analysis Statement• Companies Act 2016
5.	Yu Tack Tein	<ul style="list-style-type: none">• Fraud Risk Management Workshop• Management Discussion and Analysis Statement• Sustainability forum for directors/CEOs: "The Velocity of Global Change & Sustainability – The New Business Model"• Companies Act 2016
6.	Koong Lin Loong	<ul style="list-style-type: none">• National GST Conference 2016• National Tax Conference 2016• 2017 Budget Seminar• A Comprehensive Review of Latest in MFRS• The Companies Act 2016 – Transforming Companies & Business• National GST Conference 2017• Comparative Analysis of the PERS, MPERS and MFRS Frameworks and Selected New Topics in the MPERS Framework• Companies Act 2016• National Tax Conference 2017

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 4: FOSTER COMMITMENT *cont'd*

4.2 *Directors' Training cont'd*

No.	Name of Directors	Training/Courses Attended
7.	Chiam Soon Hock	<ul style="list-style-type: none">• Management Discussion and Analysis Statement• Fraud Risk Management Workshop• Companies Act 2016
8.	Yau Ming Teck (Resigned w.e.f. 29 March 2017)	<ul style="list-style-type: none">• Management Discussion and Analysis Statement• Financial Statement: Numbers Tell a Story, What to Look Out for
9.	Chui Mee Chuen (Appointed w.e.f 29 March 2017)	<ul style="list-style-type: none">• MAP• Companies Act 2016
10.	Yu Suat Yin (Alternate Director to Lee Pek Yoke)	<ul style="list-style-type: none">• Sales Proposal and Marketing Design• Sales Management Consultancy• Oversea Sales Transformation• Business Development/Account Management• Advocacy Sessions on Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers• Fraud Risk Management Workshop• Management Discussion and Analysis Statement• Performance Management and Performance Appraisal• Companies Act 2016

Upon review, the Board concluded that the Directors' trainings for the FY2017 were adequate.

2018 Directors' training

In recognising the need to keep abreast with the fast changing business and regulatory environment, the Board has encouraged its members to attend at least one (1) continuing education programme, whereby it should be in relation to the ACE LR of Bursa Securities, Companies Act 2016 or corporate governance of a listed corporation.

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 *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 financial reports to the Shareholders and the regulatory authorities. The Board is also responsible for announcements on significant issues in accordance with the provision in the ACE LR of Bursa Securities.

The AC assists the Board to oversee the financial reporting process and the quality of its financial reporting by reviewing the information to be disclosed, to ensure completeness, accuracy and adequacy prior to endorsing the same to the Board for release to Bursa Securities and Securities Commission Malaysia.

The AC has received assurance that the financial statements of the Group and of the Company for the FY2017 had been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. Consequently, the AC has recommended the audited financial statement for the FY2017 of the Company to the Board for approval and the Board upon its review, has approved the same vide a Directors' Circular Resolution in Writing dated 24 July 2017.

The Board ensures that Shareholders are presented with a clear, balanced, meaningful assessment of the Company's financial performance and prospects through the issuance of the audited financial statements and quarterly announcements of financial results and vide corporate announcements on significant development in accordance with the ACE LR of Bursa Securities on a timely basis and in compliance with the applicable financial reporting standards.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING *cont'd*

5.2 *Assessment of the suitability and independence of the External Auditors*

For the FY2017, the AC has formalised the procedures to assess the suitability and independence of External Auditors vide an annual assessment of the suitability and independence of the External Auditors, namely Messrs. Crowe Horwath.

The External Auditors Suitability and Independence Assessment Policy has been established as at the date of this Annual Report. The salient terms in the External Auditors Suitability and Independence Assessment Policy are as follows:-

(a) **Selection and appointment**

The AC shall observe the following procedures for selection and appointment of new External Auditors, should the need to change the External Auditors is arises:

- i. To identify the audit firms that meet the criteria for appointment and to request for their proposals of engagement for consideration;
- ii. To assess the proposals and fee and shortlist the suitable audit firms;
- iii. To interview the shortlisted audit firms;
- iv. To recommend to the Board the appointment of the appropriate audit firm as External Auditors; and
- v. Upon the Board endorsed the recommendation, to seek Shareholders' approval for the appointment of the new External Auditors and resignation/removal of the existing External Auditors at the general meeting.

(b) **Independence**

- i. The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors; and
- ii. The External Auditors shall provide a written assurance to the AC confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

(c) **Non-audit engagement**

External Auditors can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the external auditors. This excludes audit related work in compliance with statutory requirements.

The prohibition of non-audit services are guided by the below-mentioned principles:

- i. Not to function as Management;
- ii. Not to audit their own work; and
- iii. Not to serve in an advocacy role of the Company and its subsidiaries.

External Auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit engagement.

A copy of the External Auditors Suitability and Independence Assessment Policy is available for viewing at the Group's corporate website at www.oversea.com.my.

The External Auditors provided a written statement that they will continuously complied with the relevant ethical requirements regarding independence throughout the audit of the Group, in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-Laws (On Professional Ethics, Conduct and Practice). They are not aware of any relationship between Messrs. Crowe Horwath and the Group that, in our professional judgment, may reasonably be thought to impair their independence. They have reviewed the non-audit services provided to the Company during the FY2017 and are not aware of any non-audit services that have compromised our independence as External Auditors of the Company.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING *cont'd*

5.2 *Assessment of the suitability and independence of the External Auditors cont'd*

The AC also noted the having served the requisite years, 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 (5) years in accordance with the By-Laws of the Malaysian Institute of Accountants.

Upon completion of its assessment, the AC was satisfied with Messrs. Crowe Horwath's technical competency and audit independence and recommended to the Board the re-appointment of Messrs. Crowe Horwath as External Auditors for the financial year ending 31 March 2018. The Board has in turn, has recommended the same for shareholders' approval at the forthcoming 22nd AGM of the Company.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

6.1 *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 AC has been entrusted by the Board to ensure effectiveness of the Group's internal control systems. The ultimate objectives are to protect the Group's assets and safeguard shareholders' investments.

The Statement on Risk Management and Internal Control as set out in this Annual Report provides an overview of the state of risk management and internal controls within the Group.

6.2 *Internal Audit Function*

The Directors are responsible for the Group's system of internal controls and its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment of the Company's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.

The Company outsourced its internal audit function to an independent internal audit service provider, namely Pro Credential Services Sdn. Bhd., who reports directly to the AC. The functions of the Internal Auditors is 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 internal controls are tested for effectiveness and efficiency by the Internal Auditors. The report of the internal audit is tabled for AC's review and comments, and the audit findings will then be communicated to the Board. The outsourced internal auditor's representative met up four (4) times with the AC for the FY2017.

During the FY2017, the summary of activities carried out by the Internal Auditors are as follows:-

- i. Security management, restaurant processes, which covered kitchen process flow, inventory control flow, purchasing control of the restaurant outlet located at Sri Petaling;
- ii. Restaurant processes, which covered kitchen control process and purchasing control of the Dim Sum outlet;
- iii. Moon cake production and raw materials purchasing control of the main factory;
- iv. Moon cake inventory control on raw materials, packaging materials, finished goods, outlet store process flow of one own counter located in Johor Bahru; and
- v. Goods and Service ("GST") review for taxable supply for factory products, banquet/customer event and restaurant sales.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate disclosure 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 established 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.

In complying with the requirements to disclose all material information under applicable laws and the AC LR of Bursa Securities 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 material error is discovered 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 Secretaries or the appointed merchant banker assists to draft the announcement;
- ii. All draft announcements to be approved by the Executive Director before release to Bursa Securities;
- iii. For news and media will be released 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 made available on the Group's corporate website at www.oversea.com.my.

A copy of the Corporate Disclosure Policy is available for viewing at the Group's corporate website at www.oversea.com.my.

7.2 Leverage on information technology for effective dissemination of information

- i. Corporate Website

The Company's website at www.oversea.com.my provides a plethora of information to the public, which includes, inter alia, the following dedicated sections:

- Our History – the history of the Group;
- Our Specialty – specialty dishes offered by the Group;
- Our Products – Mooncakes and other food products offered by the Group;
- Our Menu – Food menu for Groups of 6 or 10 persons offered by each outlet with pricing;
- Our Restaurants – Contact particulars, opening hours and the location map for each outlet;
- Gallery – containing photos on the Group and videos created by the Group;
- News and Events – media coverages of the Group;
- Career Information – Job opportunities offered by the Group;
- Reservation – Online Reservation System with contact particulars of each outlet; and
- Investor Relations – information dedicated for shareholders as well as stakeholders of the Group.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

7.2 *Leverage on information technology for effective dissemination of information cont'd*

ii. "Investor Relations" section for Shareholders

The Company's website features a dedicated "Investor Relations" section which includes, inter alia, corporate information, financial information, annual reports, corporate governance matters, announcements, general meetings, news centre, and etc. being accessible by the public. The Board discloses to the public all material information necessary for an informed investment and takes reasonable steps to ensure that all Shareholders enjoy equal access to such information.

iii. Online reservation system

The Company's website also features a simple online reservation system which enables the public to make reservation with specific outlet at ease.

iv. Online purchases

The Company has leveraged on the advent of information technology to market its products vide an e-commerce platform i.e. the Company's website provides a linkage to www.tenshou.com.my, the trading arm of the Company which enables the public to purchase the Company's mooncakes and other products online once they have registered as a user at the said website.

v. Social media

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

8.1 *Shareholder participation at general meetings*

The Company communicates regularly with the shareholders and investors through Annual Reports, quarterly financial reports and various announcements made to Bursa Securities as the Board acknowledges the importance of accurate and timely dissemination of information to its shareholders, potential investors and the public in general.

Several channels are used to disseminate information on a timely basis, such as:-

- The AGM which is used as the main forum of dialogue for Shareholders to raise any issues pertaining to the Company;
- Annual Report, quarterly financial results and various announcements made to Bursa Securities; and
- The corporate websites www.oversea.com.my which provide corporate information of the Group.

Majority of members of the Board had attended the last AGM held on 25 August 2016 to engage with the Shareholders.

The Notice of AGM together with the Annual Report is dispatched to Shareholders at least twenty-one (21) days prior to the meeting date.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

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

8.2 *Poll voting*

The Board noted the Recommendation 8.2 of the MCCG 2012 states that the Board should encourage poll voting.

Shareholders' Right to Demand a Poll

In line with this recommendation, the Chairman of the Meeting will inform the shareholders of their right to demand a poll vote at the commencement of the 22nd AGM.

Compliance with the ACE LR

With the recent amendments to the ACE LR of Bursa Securities, all of the resolutions set out in the Notices of General Meetings of the Company shall be voted by poll and it would be implemented for general meetings of the Company held on or after 1 July 2016.

As in previous year, the Chairman of the Meeting will call for a poll on each resolution at the forthcoming 22nd AGM scheduled to be held on 24 August 2017. This will enable the Company to engage with a greater number of shareholders by including the proxy votes cast by the shareholders who are not able to attend the 22nd AGM in person.

Electronic voting methods

Taking into consideration of the shareholders' profile of the Company, the Board has adopted electronic voting in 21st AGM of the Company held on 25 August 2016 to facilitate and ease shareholders' participation at the AGM. The Board believes that the electronic voting will ensure accurate and efficient outcomes of the poll voting process. Therefore, the Board shall again be adopting electronic voting at the forthcoming 22nd AGM scheduled to be held on 24 August 2017.

8.3 *Shareholders' communication*

The Company is committed to on-going communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports and the AGM and timely dissemination of information on significant company developments and price sensitive information in accordance with the ACE LR of Bursa Securities. Majority of the Directors were present at the 21st AGM of the Company held on 25 August 2016 to engage with the shareholders personally and proactively.

The Company's AGM not only deals with the formal business of the Company, but represents the principal forum for dialogue and interaction with shareholders, providing an opportunity for the Board to communicate directly with Shareholders and vice versa. Shareholders are invited to ask questions and express their views about the Company's business at the meeting. The Company presents to Shareholders an overview of the Group's performance during the year at the AGM.

The results of all the resolutions set out in the Notice of the 22nd AGM will be announced on the same day to Bursa Securities, which is accessible on the Bursa Securities' website.

The Board ensures that full information of the Directors who are retiring at the forthcoming 22nd AGM and willing to serve if re-elected are disclosed in the Notice of the 22nd AGM.

The explanatory notes facilitating full understanding and evaluation of issues involved in the proposed resolutions accompanying each item of special business is included in the Notice of the 22nd AGM.

STATEMENT OF CORPORATE GOVERNANCE

cont'd

CONCLUSION

As recommended by Bursa Securities, the Board has perused and review the Letter dated 19 December 2016 from Bursa Securities in relation to the Analysis of Corporate Governance Disclosures in Annual Reports and Report on Company's Performance together with a copy of the Company's Corporate Governance Disclosure scores and detailed report. Pursuant to the said Letter, the Board has instituted several measures to improve the shortcomings/weaknesses detected.

The Board is satisfied that for the financial year ended 31 March 2017, it complies substantially with the principles and recommendations of the MCCG 2012.

This Statement of Corporate Governance is made in accordance with a resolution of the Board of Directors dated 24 July 2017.