

REPORT ON CORPORATE GOVERNANCE

1. Governance Philosophy

The Board of Directors of Oman Fiber Optic Co. SAOG (OFO) is firmly committed to maintaining high standards of Corporate Governance which aims at transparency and accountability at all levels. The provisions of the Code of Corporate Governance for MSM listed Companies issued by the Capital Market Authority (CMA) have been followed by the Company as detailed below.

2. Board of Directors

a. Role and Function

The Directors collectively exercise independent and objective judgment in directing the strategies and policies of the Company as well as ensuring the effectiveness of the internal controls.

b. Appointment of Directors

The Articles of Association of the Company provide for five Directors. The present Board was elected by the Shareholders of the Company at the Annual General Meeting held on 18 March 2006 for a period of three years.

c. Composition of the Board

Currently and during the year 2008, the Board comprised 5 directors with varied background and experience. The composition the Board of directors is in accordance with the article 3 of the Code of Corporate Governance for MSM listed companies. All the Directors including the Chairman are non executive and independent. None of the Directors is a member of the Board of more than four Public Joint Stock Companies whose principal place of business is in the Sultanate of Oman or is a Chairman of more than two such companies. The complete list of directors is as under:

Director's Name	Designate	Representing	Category	No.of Directorships in other companies
Mr. Mohsin Bin Hassan Al-Raisi	Chairman	Oman Telecommunication Co. SAOG	Non Executive and Independent	-
Mr. Hani Al Shakhs	Vice Chairman	Gulf Investment Corporation, Kuwait	Non Executive and Independent	-
Mr. Ismail Noor Moh'd Mansuri	Director	Omar Zawawi Establishment LLC	Non Executive and Independent	1
Mr. Abdullah Masoud Al Harthy	Director	Oman Telecommunication Co. SAOG	Non Executive and Independent	2
Mr. Saif Bin Moh'd Al Rezeiki	Director	Oman & Emirates Investment Holding Co. SAOG	Non Executive and Independent	1

The Financial Controller Mr. G.S.Bhavani Prasad is the Secretary to the Board of Directors.

Company Management

Brief profile of the management personnel of Oman Fiber Optic Co. S.A.O.G is as below:

- Mohammed Harith Al Barashdy – General Manager
Graduate from U.K. with about 18 years of management experience with organisations of international repute. Joined OFO on 15th June 2008 as General Manager. Responsible for overall management of the company.
- G.S.Bhavani Prasad – Financial Controller
Chartered Accountant with about 16 years of professional experience. Joined OFO on 19th July 2008. Responsible for Finance function of the Company.
- Gunaseelan R. – Manager (Services department)
Graduate with about 17 years of experience in Projects. Responsible for Telecom Installation Services Division of the company.
- Anjum Arshi – Divisional Head - Production
Graduate Engineer with about 15 years of manufacturing operations experience in fiber optic cable industries. Responsible for cable manufacturing functions of the company.
- Sami Habib Al- Balushi – Administration Manager
Graduate with about 20 years of management experience. Responsible for administration and security of the company for more than 12 years.

Attendance of AGM and Board meetings held during the year

During 2008, eight Board Meetings were held on dates tabulated below. The attendance of each Director at the AGM and the Board Meetings (BM) are also tabulated herein.

✓ – Attended the meeting; ✗ – Absent

Director	AGM	BM No.1/2008 Held on 22/01/08	BM No.2/2008 Held on 20/02/08	BM No.3/2008 Held on 23/04/08	BM No.4/2008 Held on 04/05/08	BM No.5/2008 Held on 29/07/08	BM No.6/2008 Held on 28/10/08	BM No.7/2008 Held on 19/11/08	BM No.8/2008 Held on 28/12/08
Mr. Mohsin Bin Hassan Al Raisi	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Hani Al Shakhs	✓	✓	✓	✗	✓	✓	✓	✓	✓
Mr. Ismail Noor Moh'd Mansuri	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Abdullah Masoud Al Harthy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Saif Bin Moh'd Al Rezeiki	✓	✓	✓	✓	✓	✓	✓	✓	✓

3. Committees

Audit Committee:

The Board of Directors of the Company has formed the Audit Committee with the following Board members:

SR. NO.	NAME	POSITION	REMARKS
1)	Mr. Ismail Noor Moh'd Mansuri	Chairman	Financial Expert
2)	Mr. Abdullah Masoud Al Harthy	Member	
3)	Mr. Saif Bin Moh'd Al Rezeiki	Member	

The functions of the Committee cover matters specified under the Code of Corporate Governance which include:-

- Overseeing the financial reporting process and disclosure of financial information in general and with particular reference to review of annual and quarterly financial statements before submission to the Board.
- Reviewing any change in accounting policy and practices and any departure from International Financial Reporting Standards (IFRS).
- Reviewing the adequacy of the internal control system through the reports of the internal and external auditors.
- Reviewing risk management policies of the Company and ensuring its adequacy.
- Reviewing proposed specific transactions with related parties for making suitable recommendation to the Board.
- Overseeing the internal audit function in general with particular reference to reviewing the scope of the internal audit plan every year.
- Considering the name of the external auditors, determining their fees and terms of engagement and recommending their appointment.
- Reviewing with legal advisor, auditors etc., legal matters that shall have a significant impact on the company's financial statements.

The Committee also holds discussions with the external and internal auditors independent of the management, wherever necessary, apart from serving as a channel of communication between the auditors and the Board.

Meetings and attendance during the year:

Director	Meeting 1/2008 Held on 22/01/08	Meeting 2/2008 Held on 20/02/08	Meeting 3/2008 Held on 25/03/08	Meeting 4/2008 Held on 05/04/08	Meeting 5/2008 Held on 23/04/08	Meeting 6/2008 Held on 29/07/08	Meeting 7/2008 Held on 19/10/08	Meeting 8/2008 Held on 17/12/08
Mr. Ismail Noor Mohammed Mansuri	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Abdullah Masoud Al Harthy	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Saif Bin Moh'd Al Rezeiki	✓	✓	✓	✓	✓	✓	✓	✓

✓ – Attended the meeting; ✗ – Absent

4. Process of Nomination of the Directors

All the Directors were elected to the Board as per the provisions of the Commercial Companies Law of 1974 and the guidelines issued by CMA.

5. Remuneration Matters

Directors Remuneration:

During the year 2008, the Directors were paid a total sum of RO 23,600 towards sitting fees for attending 8 Board Meetings and 8 Audit Committee Meetings.

A sum of RO.2,065 was paid to a director as Travel and transport expenses during the year 2008.

The company has not paid any fixed or performance linked incentives to any of its directors during the year 2008.

Board has recommended Directors Remuneration totalling to RO.56,886 to be distributed among the 5 directors for the year 2008.

Operating Management Remuneration:

Total remuneration paid to the top 5 officers of the company for the year 2008 amounted to RO.323,472 including RO.119,610 towards bonus payment related to the performance of 2007.

Employment contracts are for tenure of 2 years with a severance notice period of 3 months for these officers.

Company follows a policy of periodic revision in the salaries of employees with a performance based bonus scheme to all the employees.

General Manager and Financial Controller have joined the organisation in the middle of the year.

6. Details of non-compliance by the company:

No penalty or strictures were imposed on the company by MSM/CMA or any statutory authority on any matter related to capital markets, during the last three years.

7. Means of communication with the shareholders and investors:

The quarterly and half yearly results of the Company are published in local newspapers in Arabic and English as per the guidelines of Capital Market Authority and Muscat Securities Market. These financials were also posted on the web site of Muscat Securities Market.

The audited financial results and other reports of the Company for the year ended 31 December 2008 will be discussed at the shareholders meeting scheduled to be held on 24 March 2009.

After completion of the statutory audit, the Annual Report and Accounts are sent by Registered Post to all the shareholders along with the notice of the Annual General Meeting. The Annual Report contains a separate Management Discussion and Analysis report.

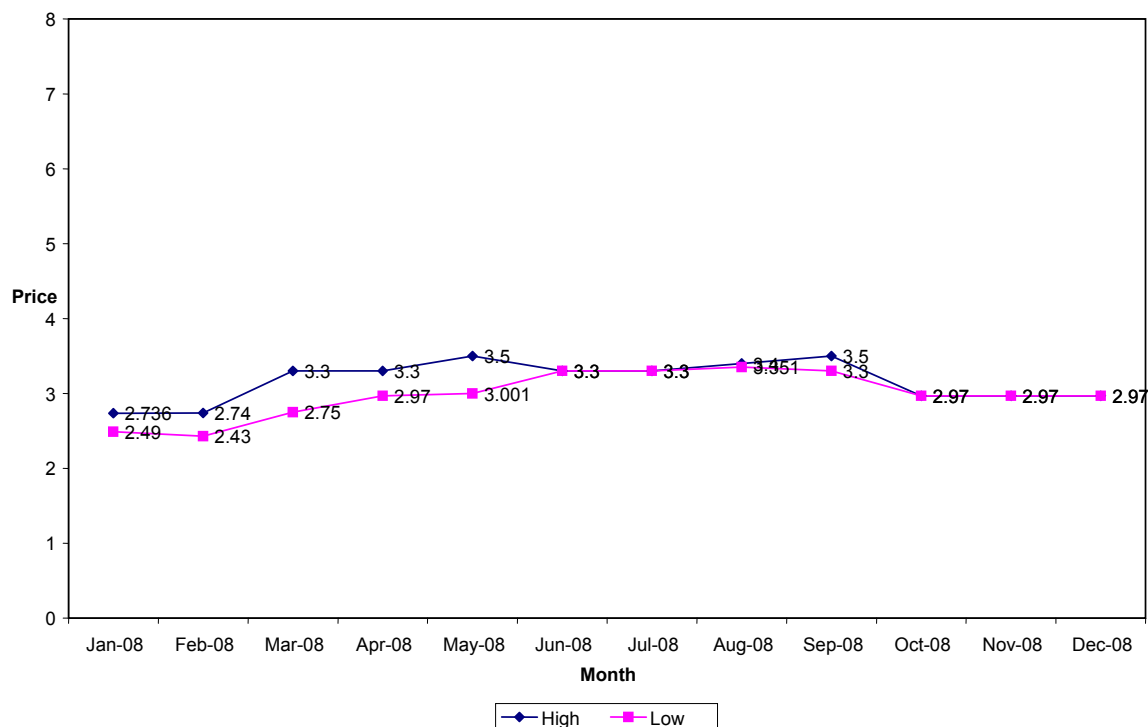
8. Market price data

Face Value of Share: RO 1.000

Prices listed at MSM

Month	High (RO/Equity Share)	Low (RO/Equity Share)
January 2008	2.736	2.490
February 2008	2.740	2.430
March 2008	3.300	2.750
April 2008	3.300	2.970
May 2008	3.500	3.001
June 2008	3.300	3.300
July 2008	3.300	3.300
August 2008	3.400	3.351
September 2008	3.500	3.300
October 2008	2.970	2.970
November 2008	Not traded	Not traded
December 2008	Not traded	Not traded

OFO Shareprice movement



9. Distribution of Shareholding

The distribution of major shareholding is as follows:

Share Holders	No of shares held	%
Oman Telecommunications Company SAOG	947,433	25.96
Gulf Investment Corporation, Kuwait	912,319	25.00
Oman and Emirates Investment Holding Company SAOG	580,457	15.91
H.E Dr. Omar Abdulmunim Yousuf Al Zawawi	783,412	21.47
Zawawi Trading Company LLC	201,035	5.51

The Company does not have any ADR/GDR/Warrants or any other Convertible Instruments as on December 31, 2008 and hence likely impact on equity is Nil.

10. Internal Control:

Company has engaged the services of a reputed firm of Chartered Accountants – Horwath Mak Ghazali llc, to review the Internal Control processes in place. Audit committee has met with the auditors in the absence of management and the reports have been reviewed by the Board and confirm that no major weakness in Internal Control was brought to their attention.

11. Professional Profile of the Statutory Auditor:

The shareholders of the company have appointed Moore Stephens as the auditors for the year 2008. The Oman branch of Moore Stephens commenced practise in 1988. Over the years, the practice has developed considerably and now services a number of clients, including major listed companies, Groups, government organisations and Ministries providing either audit, tax or management consultancy services. The local staff strength is around 33, most of whom are qualified Chartered Accountants, internal auditors and information systems auditors.

Since Moore Stephens London was founded 100 years ago, the Moore Stephens International Limited network has grown to be one of the 11 largest international accounting and consulting groups worldwide. Moore Stephens International is regarded as one of the world's major accounting and consulting networks consisting of 366 independent firms with 647 offices and over 21,444 people across 98 countries.

The Audit fee for the year 2008 was RO 4,750.

12. Acknowledgement from Board of Directors:

Board of Directors acknowledge that:

They are responsible to ensure that the financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board, interpretations issued by the International Financial Reporting Interpretations Committee and the requirements of the Commercial Companies Law of the Sultanate of Oman 1974 (as amended) and the rules for disclosure requirements prescribed by the Capital Market Authority.

They have reviewed efficiency and adequacy of internal control systems and the company complies with the internal rules and regulations.

There are no material events affecting the continuation of the company and its ability to continue its production operations during the next financial year.

Sd/-

**Mohsin Hassan Al-Raisi
Chairman**

Sd/-

**Mohammed Al Barashdy
General Manager**