

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 24 March 2009 for a period of three years.

c. Composition of the Board

Currently and during the year 2009, 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 SAOG companies
Dr. Amer Al Rawas	Chairman	Oman Telecommunication Co. SAOG	Non Executive and Independent	1
Mr. Meshari Al Bader	Vice Chairman	Gulf Investment Corporation, Kuwait	Non Executive and Independent	-
Mr. Rajiv Dhar	Director	Omar Zawawi Establishment LLC	Non Executive and Independent	2
Mr. Mohammed Al Sinaidy	Director	Oman Telecommunication Co. SAOG	Non Executive and Independent	-
Mr. Hamoud Al Alawi	Director	Oman & Emirates Investment Holding Co. SAOG	Non Executive and Independent	2

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 – Chief Executive Officer
Graduate from U.K. with about 19 years of management experience with organisations of international repute. Responsible for overall management of the company.
- G.S.Bhavani Prasad – Financial Controller
Chartered Accountant with about 17 years of professional experience. Responsible for Finance function of the Company.
- Gunaseelan R. – Sr. Manager (Operations and Projects)
Graduate with about 18 years of experience in Projects. Responsible for Telecom Installation Services Division of the company.
- Harihara Neelakantan – Plant Manager
Graduate Engineer having more than 24 years experience of telecom cables in manufacturing, quality assurance, maintenance and marketing functions. Responsible for operations of the plant.
- Anjum Arshi – Divisional Head – Cable Production
Graduate Engineer with about 16 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 21 years of management experience. Responsible for administration and security of the company for more than 13 years.

Attendance of AGM and Board meetings held during the year

During 2009, Seven 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; * - Not member

Director	AGM 24/03/2009	BM No.1/2009 Held on 16/02/2009	BM No.2/2009 Held on 24/03/2009	BM No.3/2009 Held on 28/04/2009	BM No.4/2009 Held on 28/07/2009	BM No.5/2009 Held on 18/08/2009	BM No.6/2009 Held on 26/10/2009	BM No.7/2009 Held on 13/12/2009
Dr. Amer Al Rawas	*	*	✓	✓	✗	✓	✓	✓
Mr. Meshari Al Bader	*	*	✗	✓	✗	✓	✗	✓
Mr. Rajiv Dhar	*	*	✗	✓	✓	✓	✓	✓
Mr. Hamoud Al Alawi	*	*	*	*	✓	✓	✓	✗
Mr. Mohammed Al Sinaidy	*	*	✓	✓	✓	✓	✓	✓
Mr. Mohsin Al Raisi	✓	✓	*	*	*	*	*	*
Mr. Hani Al Shaks	✗	✓	*	*	*	*	*	*
Mr. Ismail Noor Moh'd Mansoori	✓	✓	*	*	*	*	*	*
Mr. Abdullah Al Harthy	✗	✓	*	*	*	*	*	*
Mr. Saif 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. Rajiv Dhar	Chairman	Financial Expert
2)	Mr. Hamoud Al Alawi	Member	
3)	Mr. Mohammed Al Sinaidy	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 1/2009 Held on 16/02/2009	Meeting 2/2009 Held on 23/03/2009	Meeting 3/2009 Held on 26/04/2009	Meeting 4/2009 Held on 28/07/2009	Meeting 5/2009 Held on 24/10/2009	Meeting 6/2009 Held on 09/12/2009
Mr. Rajiv Dhar	*	*	✓	✓	✓	✓
Mr. Hamoud Al Alawi	*	*	*	✓	✓	✓
Mr. Mohammed Al Sinaidy	*	*	✓	✓	✓	✓
Mr. Ismail Noor Moh'd Mansoori	✓	✓	*	*	*	*
Mr. Abdullah Al Harthy	✓	✓	*	*	*	*
Mr. Saif Moh'd Al Rezeiki	✓	✓	✓	*	*	*

✓ - Attended the meeting; ✕ - Absent; * - Not member

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 2009, the Directors were paid a total sum of Rials 18,900 towards sitting fees for attending 7 Board Meetings and 6 Audit Committee Meetings.

A sum of Rials 1,714 was paid to directors as Travel and transport expenses during the year 2009.

The company has not paid any fixed or performance linked incentives to any of its directors during the year 2009.

Board has recommended Directors Remuneration totalling to Rials 53,638 to be distributed among the 5 directors for the year 2009.

Operating Management Remuneration:

Total remuneration paid to the top 5 officers of the company for the year 2009 amounted to Rials 249,593 including Rials 60,253 towards bonus payment related to the performance of 2008. Apart from the above, the company incurred Rials 20,191 towards official travel expenses of these 5 officers.

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.

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 2009 will be discussed at the shareholders meeting scheduled to be held on 20 March 2010.

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

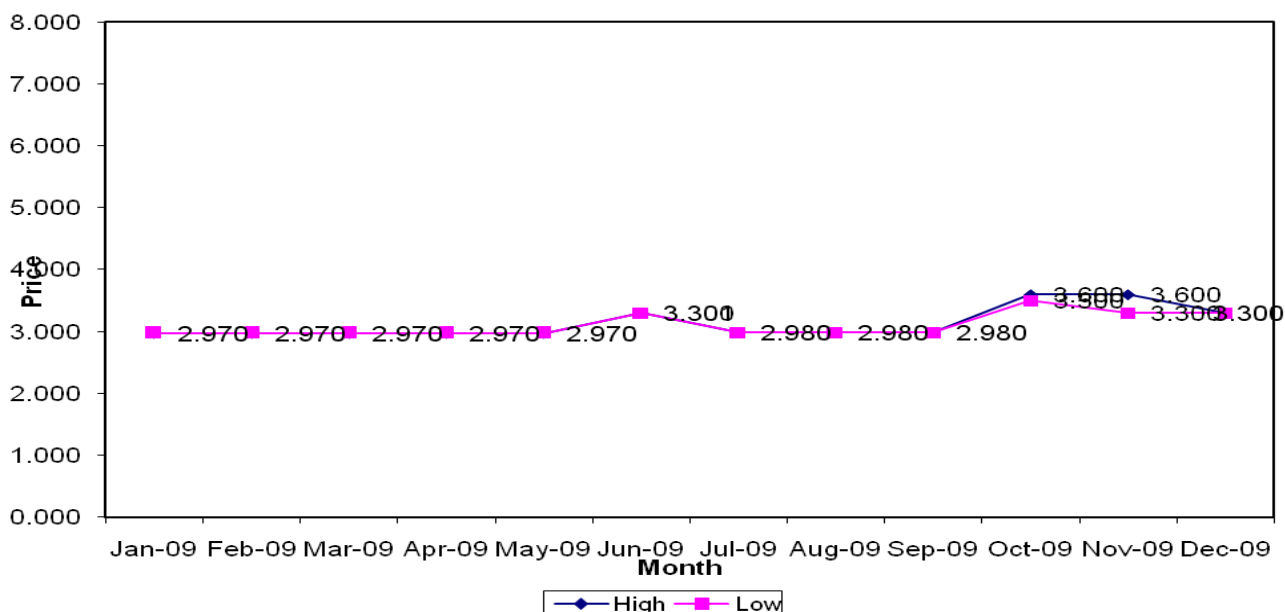
8. Market price data

Face Value of Share: Rial 1.000

Prices listed at Muscat Securities Market

Month	High (RO/Equity Share)	Low (RO/Equity Share)
January 2009	Not traded	Not traded
February 2009	Not traded	Not traded
March 2009	Not traded	Not traded
April 2009	2.970	2.970
May 2009	Not traded	Not traded
June 2009	3.301	3.300
July 2009	2.980	2.980
August 2009	Not traded	Not traded
September 2009	Not traded	Not traded
October 2009	3.600	3.500
November 2009	3.600	3.300
December 2009	3.300	3.300

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	580,467	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, 2009 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 2009. The Oman branch of Moore Stephens commenced practice 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 35, 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 Statutory Audit fee for the year 2009 was Rials 4,750 and fee for Filing of Tax Return was Rials 300.

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.

Chairman

Director

Chief Executive Officer

Financial Controller