

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) and Management of Overseas Education Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) place great importance in a high standard of corporate conduct to uphold good corporate governance. This commitment and continuous support of the Code of Corporate Governance 2012 (the “Code”) can be seen from the Board and Management efforts to promote and maintain values which emphasise transparency, accountability, integrity and proper conduct at all times in the business operations and dealings of the Company so as to create value for its stakeholders and safeguard the Group’s assets.

This report describes the practices the Company has undertaken with respect to each of the principles and guidelines and the extent of its compliance with the Code and should be read as a whole, instead of being read separately under the different principles of the Code.

BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Role of the Board

The Company is headed by an effective Board comprising 7 directors of whom 3 are executive directors and 4 are independent directors. Their combined wealth and diversity of skills, experience, gender and knowledge of the Company enables them to contribute effectively to the strategic growth and governance of the Group. The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for shareholders. It supervises the management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews financial results of the Group.

The principal functions of the Board, apart from its statutory responsibilities, include:

- Providing entrepreneurial leadership and setting the overall strategy and direction of the Group, taking into account environmental and social factors as part of its strategic formulation;
- Overseeing the management of the Group’s business affairs, financial controls, performances and resource allocation;
- Approving the Group’s strategic plans, key business initiatives, acquisition and disposal of assets, significant investments and funding decisions and major corporate policies;
- Establishing a framework of prudent and effective controls and overseeing the processes of risk management, financial reporting and compliance, evaluating the adequacy of internal controls and safeguarding the shareholders’ interests and the Group’s assets;
- Approving the release of the Group’s quarterly and full-year financial results, related party transactions of material nature and submission of the relevant checklists to the Singapore Exchange Securities Trading Limited (“SGX-ST”);
- Appointing directors and key management personnel, including the review of their performances and remuneration packages;

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- Reviewing and endorsing corporate policies in keeping with good corporate governance and business practices;
- Identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;
- Setting the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

All directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

Board Processes

To ensure that specific issues are subject to considerations and review before the Board makes its decisions, the Board has established 3 Board committees, namely, the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), responsible for making recommendations to the Board. These Board committees operate within clearly defined terms of reference and play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference will be reviewed by the Board committees on a regular basis to enhance the effectiveness of these Board committees. The minutes of all Board and Board committees meetings, which provide a fair and accurate record of the discussion and key deliberations and decisions taken during the meetings, are circulated to the Board and Board committees. The roles and responsibilities of these Board committees are provided for in the latter sections of this report on Corporate Governance.

The Company has since its official listing on the SGX-ST on 7 February 2013, held its Board meetings on a quarterly basis. During the financial year ended 31 December 2016, the Board held a total of 4 meetings. The Company's Constitution (the "Constitution") provides for the meetings of the directors to be held by means of telephonic conference or other methods of simultaneous communication be it electronic or telegraphic means when necessary. The Board also approves transactions through circular resolutions, which are circulated to the Board together with all relevant information relating to the proposed transaction.

The agenda for meetings is prepared in consultation with the Executive Chairman, the Executive Directors and/or the Chairman of the Board committees. The agenda and documents are circulated in advance of the scheduled meetings.

The frequency of meetings and the attendance of each director at every Board and Board committee meeting for the financial year ended 31 December 2016 are disclosed in the table reflected below:

Attendance Report of Directors

Names of Directors	Types of Meetings		Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended		
David Alan Perry	4	4	NA	NA	1	1	NA	NA		
Wong Lok Hiong	4	4	NA	NA	NA	NA	NA	NA		
Yang Eu Jin	4	4	NA	NA	NA	NA	NA	NA		
Ho Yew Mun	4	4	4	4	1	1	1	1		
Leow Wee Kia Clement	4	4	4	4	1	1	1	1		
Tan Teng Muan	4	4	4	4	1	1	1	1		
David Peter Walker	4	4	4	4	1	1	1	1		

The directors were appointed based on their experience, stature and potential to contribute to the proper guidance of the Group and its businesses. As such, we believe that each individual director's contributions can be reflected in ways other than the reporting of attendances at Board meetings and/or Board Committees meetings.

Director Orientation and Training

The Company conducts briefing and orientation programs for new directors to familiarise themselves with the Group's structure and organisation, businesses and governance policies. Upon appointment, the Company provides each newly appointed director a formal letter and briefings by the Executive Chairman and Chief Executive Officer and/or senior Management on the business activities of the Group and its strategic direction, as well as their duties and responsibilities as directors. The aim of the orientation program is to give directors a better understanding of the Group's business which allow them to assimilate into their new roles. New directors are also informed about matters such as the Code of Dealing in the Company's securities. Changes to regulations and accounting standards are monitored closely by the Management. In order to keep pace with such regulatory changes, the Company provides opportunities for ongoing training on Board processes and best practices as well as any updates on changes in legislation and financial reporting standards, regulations and guidelines from SGX-ST that affect the Company and/or the directors in discharging their duties effectively.

The Board as a whole is updated regularly on risk management, corporate governance, insider trading (if any) and key changes to the relevant regulatory requirements and financial standards, so as to enable them to properly discharge their duties as Board or Board Committee members.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("ACRA"), which are relevant to the directors are circulated to the Board. The Company Secretary also informs the directors of upcoming conferences and seminars relevant to their roles as directors of the Company. The external auditors would update the AC and the Board on new and revised financial reporting standards annually.

Matters Requiring Board Approval

The authority for approval of, *inter alia*, the following transactions rest with the Board:

- Approval of quarterly and full-year results announcements for release to the SGX-ST;
- Approval of annual reports and audited financial statements;
- Convening of shareholders' meetings;
- Approval of corporate strategies;
- Approval of material acquisitions and disposal of assets;
- Approval of major investment and funding decisions;
- Issuance of shares or declaration of dividends; and
- Approval of announcements or press release concerning the Group for release to the SGX-ST.

While matters relating in particular to the Company's objectives, strategies and policies require the Board's direction and approval, the Management is responsible for the day-to-day operation and administration of the Company and of the Group in accordance with the objectives, strategies and policies set by the Board.

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Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As of the date of this report, the Board comprises the following directors:

Executive Directors

David Alan Perry
Wong Lok Hiong
Yang Eu Jin

Independent Directors

Ho Yew Mun
Leow Wee Kia Clement
Tan Teng Muan
David Peter Walker

The Board has adopted the Code's criteria of an independent director in its review that all independent directors have satisfied the criteria of independence. In line with Guideline 2.2(a), the independent directors of the Company make up more than half of the Board. The independence of each director is reviewed annually by the NC in accordance with the Code's definition of independence. Each independent director is required to complete a 'Confirmation of Independence' form to confirm his/her independence. The said form, which was drawn up based on the definitions and guidelines set forth in Guideline 2.3 in the Code and the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee, requires each director to assess whether he considers himself independent despite not having any of the relationships defined in the Code. The NC has reviewed the forms completed by each independent director and is satisfied that more than half of the Board comprises independent directors.

Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The decisions are based on collective decision without any individual or small group of individuals influencing or dominating the decision making process.

The size and composition of the Board are reviewed from time to time by the NC with a view to determine the impact of its number upon effectiveness. The NC decides on what it considers an appropriate size, taking into account the scope and nature of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees. The composition of the Board is reviewed at least annually by the NC to ensure that there is an appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board. Together, the directors as a group provide core competencies in business, investment, legal, audit and accounting, management experience and industry knowledge.

Although all the directors have an equal responsibility for the Group's operations, the independent directors play an important role (i) in ensuring that the strategies proposed by the Management are constructively challenged and developed by taking into account the long-term interests of the shareholders and (ii) in reviewing the performance of Management in meeting agreed goals and objectives and monitoring the performance reporting. The independent directors are encouraged to meet, without the presence of Management in order to facilitate a more effective check on Management.



The profiles of the Board are set out on pages 6 and 7 of the Annual Report. None of the directors has served on the Board beyond nine years from the date of his/her appointment.

To-date, none of the independent directors of the Company has been appointed as director of the Company's principal subsidiary, which is based in Singapore.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of Chairman and Chief Executive Officer ("CEO") are assumed by David Alan Perry. As the CEO, he is responsible for the day-to-day operations of the Group. He plays an instrumental role in charting the direction and strategic development of the Group and formulates business strategies, the development of the Group and promoting high standards of corporate governance.

As Chairman, he leads the Board and is responsible for the effective working of the Board including:

- Scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- Setting the meeting agenda of the Board;
- Ensuring that Board meetings are held when necessary;
- Facilitating contributions from the independent directors and encouraging constructive relationships between the directors;
- Exercising control over the quality, quantity and timeliness of information flow between the Management and the Board;
- Ensuring and fostering constructive and effective communication with shareholders;
- Promoting a culture of openness and debate at the Board; and
- Promoting high standards of corporate governance with full support from the directors and Management.

Although the roles and responsibilities of both the Chairman and CEO are vested in David Alan Perry, major decisions are made in consultation with the Board, where more than half of the Board comprises independent directors. The Board is of the opinion that the process of decision making by the Board has a strong independent element and provides for collective decisions without any individual or small group of individuals dominating the Board's decision making.

In maintaining good corporate governance, Ho Yew Mun, who has been appointed as the Lead Independent Director of the Company, will lead and coordinate the activities of the independent directors and facilitate a two-way flow of information between shareholders, Chairman and the Board. Hence, he will contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the independent directors and the Chairman of the Board. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman and CEO, Executive Directors or Chief Financial Officer ("CFO") has failed to resolve or for which such contact is inappropriate.

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Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Board established the NC which consists of 5 directors, a majority of whom are independent. The NC is chaired by an independent director, Leow Wee Kia Clement. The other NC members are Ho Yew Mun, Tan Teng Muan, David Peter Walker and David Alan Perry. The NC Chairman is also a director who has no relationship with the Company, its related corporations, its 10% shareholders or its officer and is not directly associated with 10% shareholders.

The NC is regulated by its terms of reference and its key functions include:

- Nomination and re-nomination of the directors of the Company having regard to their contribution, performance and ability to commit sufficient time and attention to the affairs of the Group, taking into account their respective commitments outside the Group;
- Determining annually whether a director is independent;
- Deciding whether a director is able to and has been adequately carrying out his/her duties as a director; notwithstanding that the director has multiple board representations;
- Reviewing of board succession plans for directors, in particular, the Chairman and the CEO;
- Development of a process for evaluation of the performance of the Board, its board committees and directors;
- Reviewing of training and professional development programs for the Board;
- Reviewing and approval of new employment of persons related to the directors, CEO and controlling shareholders and the proposed terms of their employment; and
- Appointment and re-appointment of directors (including alternate directors, if applicable).

The NC held 1 meeting during the financial year. Pursuant to the Company's Constitution, each director of the Company shall retire from office. Directors who retire are eligible to stand for re-election.

All directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Regulation 91 of the Company's Constitution requires one-third of the Board to retire and submit themselves for re-election by shareholders at each Annual General Meeting ("AGM"). In addition, Regulation 97 of the Company's Constitution provides that every new director must retire and submit themselves for re-election at the next AGM of the Company following his/her appointment during the year.



The dates of initial appointment and last re-election of each director are set out below:

Name of Director	Date of first appointment/ Date of last re-appointment	Functions	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding three (3) years
David Alan Perry	28 October 2011/ 21 April 2016	Executive Chairman and CEO Member of Nominating Committee	Chairman of Overseas Family School Limited Director of Overseas Family School Limited (Hong Kong) Director of Master Projects Pte Ltd, Centre for Advanced Medicine Ltd and Feedback Research Limited Director of PDAC Private Ltd	NIL
Wong Lok Hiong	28 October 2011/ 22 April 2015	Executive Director	Chief Executive of Overseas Family School Limited Director of Overseas Family School Limited (Hong Kong) Director of Master Projects Pte Ltd, Centre for Advanced Medicine Ltd and Feedback Research Limited Director of WLH Private Ltd	NIL
Yang Eu Jin	12 August 2014/ 22 April 2015	Executive Director and General Counsel	Legal Counsel and Director of Overseas Family School Limited	NIL

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Name of Director	Date of first appointment/ Date of last re-appointment	Functions	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding three (3) years
Ho Yew Mun	1 August 2012/ 23 April 2014	Lead Independent Director Chairman of Audit Committee and Member of Nominating and Remuneration Committees	NIL	Independent Director of PEC Ltd
Leow Wee Kia Clement	26 December 2012/ 22 April 2015	Independent Director Chairman of Remuneration and Nominating Committees and Member of Audit Committee	Partner and Head of of Corporate Finance at Partners Capital (Singapore) Pte. Ltd. Independent Director of Ellipsiz Ltd, and MSM International Ltd	Independent Director of JB Foods Limited
Tan Teng Muan	28 October 2011/ 21 April 2016	Independent Director Member of Audit, Nominating and Remuneration Committees	Commissioner for Oaths and Partner in the civil and commercial litigation practice of Mallal & Namazie Independent Director of United Global Ltd	NIL
David Peter Walker	1 July 2015/ 21 April 2016	Independent Director Member of Audit, Nominating and Remuneration Committees	Managing Director of Kauri Capital Pte Ltd Member of Global Board of Governors, International Baccalaureate Organisation	NIL

Please also refer to the "Board of Directors" section of the Annual Report for information relating to the directors.



The Board has delegated to the NC the functions of developing and maintaining a transparent and formal process for the appointment and re-appointment of directors, making recommendations for directors who are due for retirement by rotation to seek re-election at a general meeting and determining the independent status of each director.

The Company has in place, policies and procedures for the appointment of new directors, including the description on the search and nomination procedures. Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of his re-nomination as a director.

Despite some of the directors having multiple Board representations, the NC has reviewed the directorships of the directors and is satisfied that these directors are able to, and have adequately carried out their duties as directors of the Company after taking into the consideration the number of listed company board representations and other principal commitments of these directors. Currently, the Board does not determine the maximum number of listed Board representations which any director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deems fit. Currently, the Company does not have any alternate director.

The NC has recommended the re-election of Ho Yew Mun and Wong Lok Hiong, who are retiring at the coming AGM.

Where a vacancy arises, the NC will consider each candidate based on the selection criteria determined after consultation with the Board and after taking into consideration the qualification, experience, ability to contribute effectively to the Board and to add value to the Group's business, in line with its strategic objectives before recommending the suitable candidate to the Board for approval. There is no new director appointed on Board during the year.

Candidates may be suggested by directors or Management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidate who must stand for election at the next AGM of shareholders.

Particulars of interests of directors who held office at the end of the financial year in shares and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Statement.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

In line with the principles of good corporate governance, the Board has implemented a structured process to be carried out by the NC to evaluate the effectiveness of the Board as a whole and its Board Committees annually. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with the Management and standards of conduct of the directors. This encourages constructive feedback from the Board and leads to enhance its performance over time.

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The NC had also implemented a process to be carried out by the NC to assess the effectiveness of the Board Committees annually. The NC has recommended that the members of the respective Board Committees complete the evaluation form adopted by the NC. In addition, the NC has implemented an annual self-assessment exercise to be performed individually by each director to assess his/her contribution to the Board's effectiveness. The evaluation results of the Board, Board Committees and individual assessments are reviewed and discussed by the NC. Any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration of the appropriate measures to be taken. The criteria taken into consideration by the NC and the Chairman include contribution and performance based on factors such as attendance, preparedness and participation. Such assessments by the directors are useful and constructive and this collective process has provided opportunities to obtain insightful feedback from each director on suggestions to enhance the effectiveness of the Board and has helped directors to be more focused on their duties, responsibilities and contributions to the effectiveness of the Board.

Selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes.

The NC, in considering the re-nomination of any director, had considered factors including their performance in the Board as a whole, its Board Committees and individual performance including his/her attendance, preparedness, participation and contributions in the proceedings of the meetings.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To assist the Board to fulfil its responsibilities, the Management provides the directors with management reports that are complete, adequate and timely information on Board affairs and issues that require the Board's decision as well as ongoing reports relating to the operational and financial performance of the Group. For matters that require the Board's decision, relevant members of the management staff are invited to attend and present at a specific allocated time during the Board and Board committee meetings. Periodic financial reports, budgets, forecasts, material variance reports, disclosure documents are also provided to the directors, where appropriate, prior to the Board and Board committee meetings. In respect of budgets, any material variance between the projections and actual results would be disclosed and explained during the meeting. Directors are also informed of any significant developments or events relating to the Group. In addition, the directors are entitled to request from Management such additional information as needed to make informed decisions. Management ensures that any additional information requested for is provided to the directors in a timely manner.

The directors have separate and independent access to the key management personnel at all times. Where necessary, the Company will, upon the request of directors (whether as a group or individually), provide them with independent professional advice, to enable them to discharge their duties. The costs of such professional advice will be borne by the Company.

The directors have separate and independent access to the Company Secretary, who provides the directors with regular updates on the requirements of the Companies Act and all the rules and regulations of the SGX-ST. The Company Secretary or his representatives attend all Board and Board committee meetings, and assists the Chairman of the Board and Board committees in ensuring that the relevant procedures are followed and reviewed such that the Board and Board committees function effectively. The decision to appoint or remove the Company Secretary is made by the Board as a whole.



REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his/her own remuneration.

The Group's remuneration policy is to provide remuneration packages at market rates which reward successful performance and attract, retain and motivate directors and key management personnel.

The RC comprises 4 directors, all of whom are independent. The RC is chaired by an independent director, Leow Wee Kia Clement. The other RC members are Ho Yew Mun, Tan Teng Muan and David Peter Walker. In discharging their duties, the RC members have access to advice from the internal human resources personnel, and if required, advice from external experts.

The RC recommends to the Board a framework for the remuneration for the Board and key management personnel and to determine specific remuneration packages for each director based on transparency and accountability.

The RC is regulated by its terms of reference and its key functions include:

- Reviewing and recommending to the Board a framework of remuneration and specific remuneration packages for all directors and executive officers of the Company;
- Reviewing the service agreements of the Executive Directors and key management personnel of the Group;
- Performing an annual review of the remuneration of employees related to directors to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scope and level of responsibility; and
- Reviewing and approving the bonuses, pay increases and/or promotions of employees related to directors.

The RC recommends, in consultation with the CEO, a framework of remuneration policies for key management personnel and directors serving on the Board and Board committees, and determines specifically the remuneration package for each director of the Company. The RC's review of remuneration packages takes into consideration the long term interest of the Group and ensures that the interest of the directors align with that of the shareholders. The review covers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses and benefits-in-kind. In addition, the RC also reviews the remuneration of senior key management personnel. The RC's recommendations are submitted to the entire Board for endorsement. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Group's relative performance and the performance of the individual directors and key management personnel.

The RC, in considering the remuneration of all directors, has not sought external advice nor appointed remuneration consultants.

In reviewing the service agreements of the Executive Directors and key management personnel of the Group, the RC will review the Group's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

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Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company and of the group, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company and the group. However, companies should avoid paying more than is necessary for this purpose.

The remuneration packages of the Executive Directors are determined based on the framework recommended by the RC where the RC reviews the length of the fixed appointment period, the notice period for termination and the terms of the compensation package in the event of the termination of any Executive Directors' service agreements to ensure that the terms of such clauses are not onerous to the Company. In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry, the long-term interest and risk policies of the Company, as well as the Group's relative performance and the performance of each director.

The independent directors are paid directors' fees taking into account factors including but not limited to the effort and time spent and the scope of responsibilities of these directors. Independent directors should not be over-compensated to the extent that their independence may be compromised and no director is involved in deciding his own remuneration. The directors' fees are recommended by the RC and submitted to the Board for endorsement. Directors' fees are recommended by the Board for approval at the Company's AGM. To facilitate timely payment of directors' fees, directors' fees are paid in advance on a quarterly basis for the current financial year in which the fees are incurred.

The Executive Directors do not receive directors' fees. The remuneration packages of the Executive Directors and the key management personnel comprise primarily a basic salary component and a variable component, which are the bonuses and other benefits. The remuneration packages of the Executive Directors and key management personnel do not contain any financial incentive component. Therefore, the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company would not be applicable in these circumstances.

The service agreements entered into with the Executive Directors David Alan Perry and Wong Lok Hiong were for an initial period of 3 years with effect from the date of listing of the Company. These service agreements are subject to review by the RC and provide for automatic renewal for a further term of 3 years unless either party gives to the other not less than 6 months' prior notice of that party's intention not to renew. The service agreements have been renewed accordingly. The employment agreement with the Executive Director Yang Eu Jin has no fixed term and is terminable by either party with 3 months' prior notice.

The Company currently has no employee share option schemes or other long-term incentive scheme in place, as the Company does not consider it appropriate for staff members of a school to be motivated by financial incentives, including share-based incentives.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The level and mix of remuneration of each director and top 5 key management personnel (who are not directors and those who were in service for the year ended 31 December 2016) are as follows:

Directors

Names	Salary (S\$)	Bonus (S\$)	Other Benefits (S\$)	Directors' Fees (S\$)	Total (S\$)
David Alan Perry	384,000	–	5,400	–	389,400
Wong Lok Hiong	384,000	–	19,832	–	403,832
Yang Eu Jin	576,000	–	31,495	–	607,495
Ho Yew Mun	–	–	–	120,000	120,000
Leow Wee Kia Clement	–	–	–	120,000	120,000
Tan Teng Muan	–	–	–	100,000	100,000
David Peter Walker	–	–	–	100,000	100,000

Top 5 Key Management Personnel

Names	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
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S\$250,000 to S\$500,000

Jason Lee Chwee Soon	93.9	–	6.1	100.0
Patrick William Keenan	78.6	–	21.4	100.0
Suzanne Magdalen Bentin	82.4	–	17.6	100.0
Michael Lee Kwok-Tung	81.8	–	18.2	100.0

S\$500,000 to S\$750,000

David Ho Hie Wu	95.2	–	4.8	100.0
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The aggregate total remuneration paid to the top five key management personnel (who are not directors or the CEO) for the year ended 31 December 2016 is approximately S\$1,852,509.

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Remuneration of Employee Related to Director

Remuneration of an employee who is the immediate family member of a director or the CEO, and whose remuneration exceeds \$50,000 for the year ended 31 December 2016:

Name	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
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S\$150,000 to S\$200,000

Joyce Chee Jingying (Daughter of Executive Director, Ms Wong Lok Hiong)	91.1	1.2	7.7	100.0
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The basis of determining the remuneration of this related employee is the same as the basis of determining the remuneration of other unrelated employees.

Shareholders' approval will be sought at the forthcoming AGM of the Company on 26 April 2017 for the payment of directors' fees proposed in advance for the financial year ending 31 December 2017 amounting to an aggregate of S\$440,000.

No termination, retirement and post-employment or other long-term incentives have been granted to the directors or key management personnel during the financial year ended 31 December 2016.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board understands its accountability to the shareholders on the Group's position, performance and progress. The objectives of the presentation of the annual audited financial statements, full-year and quarterly results to its shareholders are to provide the shareholders with a balanced and understandable assessment and explanation of the Group's financial performance, position and prospects.

In line with the SGX Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year review, the CEO and the CFO have provided assurance to the Board on the integrity of the Group's financial statements.

All the directors and executive officers of the Company also signed undertakings letter pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

The Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. The Management understands its role to provide all members of the Board with appropriate management reports in a balanced and understandable assessment of the Group's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems on an annual basis. The internal control and risk management functions are performed by the Group's key management personnel and reported to the AC for review.

It should be noted, in the opinion of the Board, that such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The Group had appointed Deloitte and Touche Enterprise Risk Services Pte Ltd as the independent internal auditors of the Group to review the effectiveness of the Group's internal controls in light of the size and complexity of the Group's operations. Relying on the reports from the independent internal auditors, management letter issued by the external auditors (to the extent as required by them to form an audit opinion on the statutory financial statements) and the representation letters from the Management, the AC will carry out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the independent internal auditors and external auditors to further improve the internal controls will be reported to the AC. The AC will follow up on the actions taken by the Management and on the recommendations made by both the independent internal auditors and external auditors.

For FY2016, the Board has received assurances from the CEO and the CFO of the Company that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the Group's risk management and internal control systems are operating effectively.

Based on the various management controls put in place, work performed by the internal and external auditors, representation letter from the Management and periodic reviews by the Management, the Board with the concurrence of the AC is of the opinion that the Group's system of internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls, and risk management systems maintained by the Group during the year are adequate and effective as at 31 December 2016.

CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC currently comprises of 4 directors, all of whom are independent. Ho Yew Mun is the AC Chairman. The other AC members are Leow Wee Kia Clement, Tan Teng Muan and David Peter Walker. The Board is of the view that the members of the AC are appropriately qualified in that they have sufficient accounting or related financial management expertise and experiences to discharge the AC's function. None of the AC members were previous partners or directors of the existing auditing firm within the previous 12 months and/or hold any financial interest in the auditing firm.

The role of the AC is to assist the Board with discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records and develop and maintain effective systems of internal control. To achieve this, the AC ensures that its members have the appropriate qualifications to provide independent, objective and effective oversight.

The AC shall meet periodically to discuss and review the following matters:

- Review with the external auditors the audit plan, their management letter, the Management's response, and their independence and objectivity of producing the results;
- Review with the internal auditors the internal audit plan and their evaluation of the adequacy of the Group's internal controls and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the annual report, if applicable;
- Monitor and review the implementation of the external auditors' and internal auditors' recommendations with the concurrence of Management in relation to the adequacy of internal controls and accounting system addressing financial, operational, compliance and information technology controls;
- Review the financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- Reviewing the adequacy of internal controls and procedures and ensure co-ordination between the external auditors and Management, reviewing the assistance given by Management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters with the auditors;
- Review together with external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;
- Consider the appointment or re-appointment of the external and internal auditors and matters relating to resignation or dismissal of the auditors;
- Review transactions falling within the scope of Chapters 9 and 10 of the SGX-ST Listing Manual;
- Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;



- Undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time; and
- Review the Company's procedures for whistle-blowing policy endorsed by the AC by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matters.

The AC has the explicit authority to investigate any matter within its terms of reference and full access to and cooperation by the Management. It has the discretion to invite any director or member of the Management to its meetings. The AC has, within its terms of reference, the authority to obtain independent professional advice and reasonable resources at the Company's expense to enable it to discharge its functions properly.

Where, by virtue of any vacancy in the membership of the AC for any reason, the number of members is reduced to less than 3, the Board shall, within 2 months thereafter, appoint such number of new members to the AC.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

The AC has reviewed all Interested Person Transactions for the financial year ended 31 December 2016 and is of the opinion that Chapter 9 of the Listing Manual of the SGX-ST has been complied with.

Each member of the AC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the AC in respect of matters in which he is interested.

Annually, the AC meets with the internal and external auditors separately without the presence of the Management. For the financial year under review, the AC reviewed the non-audit services provided by the external auditors and was satisfied that the extent of such service will not prejudice the independence and objectivity of the external auditors.

In July 2010, SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

In addition, in October 2015, with the support from SGX and Singapore Institute of Directors, ACRA had introduced the Audit Quality Indicators ("AQIs") Disclosure Framework to assist the ACs in evaluating the re-appointment of external auditors based on eight (8) quality markers that correlate closely with audit quality. Accordingly, the AC had evaluated the external auditors based on the eight (8) AQIs at engagement and/or firm-level.

With the introduction of the new and revised Auditor Reporting Standards applicable to the audit of financial statements for periods ending on or after 15 December 2016, the external auditors are required to include the Key Audit Matters ("KAM") in the Independent Auditor's Report of the Company. KAM typically include significant risk areas of the financial statements most susceptible to misstatements, involving key judgements and estimates, as well as major transactions that require extensive auditing efforts.

CORPORATE GOVERNANCE REPORT

In line with the recommendations by ACRA, Monetary Authority of Singapore and SGX, the AC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on the key financial reporting matters as follows:

KAM – Ability to extend the land lease and estimated useful life of the school buildings

The AC considered the KAM presented by the external auditors together with Management. The AC reviewed and challenged the basis of estimation of the useful life of the school buildings, and considered the disclosures in this respect. The AC concurred and agreed with the external auditors and Management on their assessment, judgements and estimates on the significant matter reported by the external auditors.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their meetings with the AC. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

The Company has approved the following aggregate amount of fees paid/payable to the external auditors for the financial year ended 31 December 2016:

Services	Amount S\$'000
Audit service	168
Total	168

Save for professional fees and miscellaneous expenses incurred for audit services, the Company did not pay any other non-audit fee to the external auditors during financial year ended 31 December 2016.

The AC has undertaken a review of the services, scope, independence and objectivity of the external auditors. Ernst & Young LLP, the external auditors of the Company, has confirmed that they are a Public Accounting Firm registered with ACRA and provided a confirmation of their independence to the AC. The AC received a report from Management on their evaluation of the performance and effectiveness of the work of the external auditors.

Having assessed the external auditors based on its own interactions with the external auditors, Management's evaluation and on factors such as performance and quality of their audit partners and auditing team, their overall qualification and their independence status, the AC is satisfied that Rule 712(2)(a) of the Listing Manual of the SGX-ST has been complied with. In this regard, the AC recommends to the Board the nomination of Ernst & Young LLP for re-appointment as the external auditors at the forthcoming AGM.

The Company has complied with Rule 715 of the Listing Manual of the SGX-ST as all subsidiaries of the Company are audited by Ernst & Young LLP for the purposes of the consolidated financial statements of the Company and its subsidiaries.

Whistle-blowing Policy

The AC in consultation with the Board initiated the implementation of a whistle-blowing policy for all employees of the Group. This policy aims to provide an avenue for employees to raise concerns and provide reassurance that they will be protected from reprisals or victimisation for raising any concerns about fraud and for whistle-blowing in good faith.

The Board noted that no incidents in relation to whistle-blowing matters have been raised during the year by any staff to indicate possible improprieties in matters of financial reporting, financial control, or any other matters.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognises the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls and risk management procedures within the Group to safeguard shareholders' investments and the Group's assets. The AC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure co-ordination between internal auditors, external auditors and Management, and ensure that the internal auditors meet or exceed the standards set by nationally or internationally recognised professional bodies. The AC also reviews and approves the hiring, removal and evaluates its outsourced internal auditors.

The AC met up with the internal auditors separately at least once a year without the presence of Management. The internal auditors are provided with unfettered access to the Group's properties, information and records for performing their internal audit review.

The AC and the Board recognise the need for a robust and effective system of internal controls. Based on the considerations of the size of the Group, the nature and complexity of its operations as well as cost-effectiveness, the AC and the Board agreed to the appointment of independent internal auditors for a term of three (3) years, with their primary line of reporting to the AC.

During the year, the Company conducted a Request for Proposal for the provision of independent internal audit services. The AC undertook an evaluation based on the experience, scope, processes, and objectivity of the internal auditors. The AC recommended to the Board the re-appointment of Deloitte & Touche Enterprise Risk Services Pte Ltd as the independent internal auditors of the Group for another term of three (3) years.

The AC reviews and evaluates the scope of work deliverables by the independent internal auditors annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Group. The AC is satisfied that the independent internal auditors have unfettered access to all of the Group's documents, records, properties and personnel, including the AC.

The internal auditors have a direct and primary reporting line to the AC and assist the AC in overseeing and monitoring the implementation of improvements required on internal control weaknesses identified.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company firmly believes in high standards of transparent corporate disclosure, in line with the continuous obligations of the Company under the SGX-ST Listing Manual and the Companies Act. The Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group. Quarterly results will be published through the SGXNet, news releases and the Company's website. All information of the Company's new initiatives is first disseminated via SGXNet followed by a news release, which is also available on the Company's website.

Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the Annual Report with notice of AGM by post and published in a newspaper within the mandatory period, which is held within four months after the close of the financial year. Together with the Annual Report, the Company also attaches a copy of the proxy form to shareholders in order that shareholders can appoint up to 2 proxies to attend, vote and voice any questions relating to the resolutions tabled in a general meeting and/or company affairs, for and on behalf of those shareholders, in the event that such shareholders are not able to attend the said general meeting personally.

In view of the above, all shareholders are given an opportunity to participate effectively and vote at the general meetings.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company recognises the importance of actively engaging with stakeholders to promote effective and fair communication.

Although the Company has not adopted a formal investor relations policy to regularly convey pertinent information to the shareholders, the Board acknowledges its obligation to furnish timely information to shareholders and ensures that full disclosure of material information to comply with statutory requirements and the Listing Manual of the SGX-ST is made. Any price sensitive information will be publicly released on SGXNet first before being announced to any group of investors or analysts.

To keep all stakeholders of the Company updated on the latest announcements, press releases, and stock details of the Company, stakeholders have 24-hour access to the Company's website (www.ofs.edu.sg). In addition, automated email alert services on the latest announcements and press releases broadcasted to SGXNet by the Company can be subscribed to by stakeholders through the Company's website. Stakeholders can also post their enquiries to the Company via email at ir@ofs.edu.sg.

The Company's policy is to pay dividends of at least 50.0% of its net profit after tax to shareholders for each financial year. The dividend policy may be subject to modification in the sole and absolute discretion of the Board.



Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are encouraged to attend the general meetings of shareholders to ensure a high level of accountability and to be updated on the Company's strategies and goals. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions. The Board welcomes the views of shareholders who wish to raise issues concerning the Company, either informally or formally before or during these general meetings. The Chairmen of the AC, NC and RC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries by the shareholders.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary¹ may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

The Board also notes that there should be separate resolutions on each substantially separate issue that may be tabled at the general meeting.

The Company prepares minutes of general meetings incorporating the substantial and relevant comments or queries from shareholders that is relevant to the agenda of the meeting and responses from the Board and the Management. Such minutes are available to shareholders upon request.

To promote greater transparency and effective participation, the Company has conducted the voting of all its resolutions by electronic polling at all its AGMs since Year 2015. The detailed voting results, including the total number of votes cast for or against each resolution tabled, were announced immediately at the AGMs and via SGXNet.

¹ A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT

The Company is continually reviewing and improving the business and operational activities to take into account the risk management perspective. This includes reviewing management and manpower resources, updating workflows, processes and procedures to meet the current and future market conditions. The Company will consider the need to establish a risk management committee to assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies when the need arises.

MATERIAL CONTRACTS

Save for the service and employment agreements between the Executive Directors and the Company, there were no material contracts of the Company or its subsidiaries involving the interest of any other directors or controlling shareholders subsisting as at the financial year ended 31 December 2016 or have been entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

There were no interested party transactions equal to or exceeding S\$100,000 in aggregate between the Company and any of its interested persons (namely, directors, executive officers or controlling shareholders of the Group or the associates of such directors, executive officers or controlling shareholders) subsisting for the year ended 31 December 2016.

In accordance with the recommendations by the Audit Committee Guidance Committee, the Company has adopted an interested person transaction policy, which specifies that all interested transactions with an interested person, as defined in the policy, will be at arm's length and on terms generally available to an unaffiliated third party under the same or similar circumstances. Details of the review procedures for future interested person transactions are disclosed in the Company's Prospectus dated 31 January 2013.

Except for the limited exceptions set in the policy, transactions with interested persons that will exceed S\$100,000 in any calendar year must receive the approval of the Board prior to the company entering into the interested transaction.

DEALINGS IN SECURITIES

The Company has adopted its own internal Code of Conduct to provide guidance to all officers and employees of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with Rule 1207 (19) of the Listing Manual of the SGX-ST. The Group's officers and employees are prohibited from dealing in the Company's securities while in possession of unpublished price-sensitive information of the Group, as well as during the periods commencing two weeks before the announcement of the Company's quarterly results and one month before the announcement of the Company's full-year results and ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period. They are also encouraged not to deal in the Company's securities on short-term considerations.



UPDATE ON USE OF IPO PROCEEDS

As at the date of the financial statements 15 March 2017, the Company announced updates on the use of proceeds raised from the initial public offering (“IPO Proceeds”) amounting to S\$68,033,985 (after deducting IPO expenses of S\$3,966,015) as follows:

	S\$
Net IPO Proceeds	68,033,985
Amount of proceeds utilised for the building of the new school campus	<u>(65,635,545)</u>
Balance proceeds	<u>2,398,440</u>

It is intended that the balance S\$2,398,440 of the IPO Proceeds also be used wholly towards capital expenditure for the new school campus.