



Following the completion of the reverse takeover (RTO) by Wilmar Holdings Pte Ltd on 14 July 2006, a new Board of Directors was reconstituted to provide leadership and direction to the Company. The Company continues to be committed to maintain high standards of corporate governance practices in line with the Best Practices Guide issued by SGX-ST and the principles set out in the Corporate Governance Code 2005 (Code). This report sets out the practices that have been implemented by the Company.

PRINCIPLE 1

The Board's Conduct of its Affairs

The Board sets the overall business direction of the Group, with particular focus on business expansion and synergies. The Board reviews the strategic plans, business development proposals and risk management policies of the Group directly or through the respective committees. The Board is committed to the enhancement of the long-term shareholder value.

In addition to its statutory responsibilities, the Board is primarily responsible for:

- Approving the Group's strategic plans, key operational initiatives, major investment and funding decisions;
- Reviewing the financial performance of the Group on a quarterly basis; and
- Identifying principal risks of the Group's businesses and ensuring the implementation of appropriate systems to manage these risks.

Two new Board committees, namely the Executive Committee and the Risk Management Committee have been established with a view to assist the Board in supervising the Group's business operations within a framework of prudent and effective controls, and to oversee risk management matters respectively.

The Board holds at least four formal meetings a year. Since the completion of the RTO, the Board convened three meetings in the second half of 2006. The Company has provided for telephonic and videoconference meetings in its Articles of Association so as to better facilitate Board members to participate in Board and Board Committee meetings.

Executive Committee

The Executive Committee (Exco) assists the Board in the formulation of business policies and the supervision of the day-to-day management of the operations of the Group. The members of the Exco are Mr Kuok Khoon Hong (Chairman), Mr Martua Sitorus, Mr Chua Phuay Hee and Mr Teo Kim Yong, all of whom are executive directors of the Company.

The Board delegates to the Exco the discretion to approve capital expenditure, investments, acquisitions and disposals of assets of the Group, obtain banking facilities and approve loans to companies within the Group not exceeding the threshold of US\$10 million or 5% of the net tangible assets of the Group, Company or the respective subsidiary, whichever is the lower. The Exco is also tasked with the oversight of the Senior Management's delegated responsibility in the following functions:

- Drawing up the Group's annual budget and business plan for the Board's approval;
- Carrying through business strategies as approved in the annual budget and business plan;

- Implementing appropriate systems of internal accounting and other controls;
- Adopting suitably competitive human resource practices and compensation policies; and
- Ensuring that the Group operates within the approved budgets.

Risk Management Committee

To provide further assurance to the Board and Audit Committee, a Risk Management Committee (RMC) was set up. The RMC is chaired by Mr Yeo Teng Yang, the Lead Independent Director, with Mr Kuok Khoon Hong and Mr Leong Horn Kee as members.

The RMC oversees matters relating to the strategic management of risks and risk exposure, and monitors the implementation and compliance of risk management policies. Risk management policies for the Group are in place and are regularly reviewed and updated in accordance with industry practices.

Corporate Governance

The Directors' attendance at Board and Board Committee meetings between 14 July 2006 and 31 December 2006 is set out as follows:

	Board of Directors		Audit Committee (AC)		Risk Management Committee (RMC)
No. of meetings held	3		2		2
Name & Attendance of Director	Attendance	Member	Attendance	Member	Attendance
Executive Directors					
Kuok Khoon Hong	3	–	–	Yes	2
Martua Sitorus	3	–	–	–	–
Chua Phuay Hee	3	–	–	–	–
Teo Kim Yong	3	–	–	–	–
Non-Executive Directors					
William Henry Camp	(a)1	–	–	–	–
Yu Hung Yen, Stephen (alternate to William Henry Camp)	(b)2	Yes (resigned on 31.10.06)	(b)1	–	–
Independent Non-Executive Directors					
Yeo Teng Yang	3	Yes (appointed on 31.10.06)	1	Yes	2
Leong Horn Kee	2	–	–	Yes	2
Tay Kah Chye	3	Yes	2	–	–
Kwah Thiam Hock	3	Yes	2	–	–

The other committees did not convene any meeting between the date of RTO completion and the end of December 2006.

Notes

- (a) Mr William Henry Camp, a nominee of Archer Daniels Midland Company (ADM), was appointed as a Non-Executive Director (NED) on 31 October 2006. His proposal to appoint Mr Yu Hung Yen, Stephen as his alternate was approved by the Board. Mr Camp has given authorisation to Mr Yu to attend Board meetings, on his behalf in his absence.
- (b) Mr Yu, a nominee of ADM, was appointed by the Company as a Non-Executive Director (NED) on 14 July 2006. He stepped down as NED and member of the Audit Committee and Remuneration Committee on 31 October 2006. His current appointment as Non-Executive Alternate Director (to Mr Camp) took effect on 31 October 2006.

The Company arranged its legal advisors to brief all newly appointed Directors on their duties and obligations. In addition, the senior management regularly briefs and familiarises Directors on the business activities of the Company. As part of the Company's continuing efforts to update Directors on the latest listed corporate developments, Directors are invited to attend on-going enrichment programs organised by recognised institutions.

PRINCIPLE 2

Board Composition and Guidance

The Board currently has nine members comprising four Executive Directors and five Non-Executive Directors of whom four are Independent Directors.

The assessment of “independence” is determined based on the Code. The Board considers an “independent” director as one who has no relationship with the Group that could interfere with the exercise of the directors’ independent judgment of the Group’s affairs. With more than one third of the Board deemed to be independent, the Board is able to independently assess and monitor the Company’s business operations.

The Board is made up of directors with a wide range of skills, experience and qualities in the fields of operations, financial and risk management. Key information about the Directors is presented in the section entitled “Board of Directors” in this annual report.

The Board has examined its size and assessed the impact of the number on its effectiveness. It is of the view that the current board size complies with the Code and is effective in facilitating decision-making.

On 14 December 2006, the Company announced the proposed merger of the Company with PPB Oil Palms Berhad, Kuok Oils & Grains Pte Ltd and PGEO Group Sdn Bhd. Upon the completion of the merger, representatives of the Kuok Group will be invited to join the Board.

The composition and the effectiveness of the Board are reviewed on an annual basis by the Nominating Committee to ensure that it has the appropriate mix of expertise and experience to fulfill its duties.

PRINCIPLE 3

Chairman and Chief Executive Officer

Mr Kuok Khoo Hong, the Chairman and Chief Executive Officer (CEO), is instrumental in growing the business of the Group. He provides strong leadership and is overall in-charge of the management and strategic operations of the Group. All strategic and major decisions made by the Chairman and CEO are reviewed and approved by the Board.

He ensures that additional Board meetings are held where necessary and reviews all papers before they are presented to the Board to enable them to be fully cognizant of the affairs of the Group. He facilitates discussions and solicits contributions from Board members, in particular the Non-Executive Directors.

The role of the Chairman and CEO is not separate as there is adequate accountability and transparency as reflected by internal controls established within the Group. The adoption of single leadership structure speeds up the decision-making and implementation process to seize potential business opportunities to further grow the Group. Moreover, the appointment of a Lead Independent Director provides shareholders with another effective communication channel to address their concerns and acts as a counter balance to the decision-making process.

Corporate Governance

PRINCIPLE 4

Board Membership

The composition of the Nominating Committee (NC) was reconstituted on 14 July 2006 upon the completion of the RTO. The NC comprises three directors, a majority of whom including the Chairman, are Independent Directors. The members are Mr Kwah Thiam Hock (Chairman), Mr Kuok Khoon Hong and Mr Tay Kah Chye.

The NC meets at least once a year. Its focus is guided by the Terms of Reference adopted from the Code. The NC's duties and functions are as follows:

1. To make recommendations to the Board on all Board appointments and re-nominations having regard to the directors' contribution and performance.
2. To ensure that all directors submit themselves for re-nomination and re-election at regular intervals, at least once in every three years.
3. To determine annually whether a director is independent, guided by the independent guidelines contained in the Code.
4. To decide whether a director is able to and has adequately carried out his duties as a director of the Company, in particular where the director concerned has multiple board representations or if they are in conflict with the interests of the Company.
5. To decide how the Board's performance may be evaluated and propose objective performance criteria.

Board appointments during the year are made by way of Board resolution after the NC has reviewed their credentials and assess their contributions to the Company and recommendation.

Under the Articles of Association, one third of the Directors, except for the Managing Director (or any equivalent appointment, howsoever described), are required to retire by rotation at least once every three years and are subject to re-election by the shareholders at the annual general meeting (AGM). All newly appointed directors during the year shall hold office only until the AGM following their appointments.

Mr Leong Horn Kee, who was last re-elected on 30 April 2004 and being the longest in office, retires by rotation in accordance with Article 104, has been nominated for re-election at the forthcoming AGM.

All the Directors appointed during the financial year 2006, except for Mr Kuok Khoon Hong and Mr Chua Phuay Hee who have been re-elected at the last AGM held on 28 April 2006, have submitted themselves for re-election at the 2007 AGM.

PRINCIPLE 5

Board Performance

The NC has adopted a revised set of Board performance appraisal criteria which was endorsed by the Board. The performance evaluation exercise will enable the NC to identify areas of improvement to the Board's effectiveness as a whole. The evaluation process is carried out by way of an assessment checklist through which each NC member is required to complete and to assess individually the Board's overall effectiveness based on factors including the Board's understanding on the Group's business operations, development of strategic directions and the effectiveness of Board meetings to facilitate discussion and decision on important critical and major corporate matters. The collated findings are reported and recommendations are made to the Board for consideration and for further improvements to help the Board to discharge its duties more effectively.

The Board plans to develop and implement a fair and effective performance assessment of individual directors.

PRINCIPLE 6

Access to Information

The Board is provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

The Board has separate, independent and unrestricted access to Senior Management of the Group at all times. Requests for information from the Board are dealt with promptly by Senior Management. The Board is informed of all material events and transactions as and when they occur.

The Company Secretary attends all Board meetings and is responsible to ensure that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with. The Company Secretary works together with the management staff of the Company to ensure the Company complies with all relevant rules and regulations.

PRINCIPLE 7

Procedures for Developing Remuneration Policies

The Remuneration Committee (RC) has also been reconstituted and a majority of whom are Independent Directors. The RC members are Mr Kwah Thiam Hock (Chairman), Mr Kuok Khoo Hong, Mr Yeo Teng Yang and Mr Leong Horn Kee. In discharging their duties, the members have access to the advice from the human resources department, and if required, the advice from outside experts.

The main duty of the RC is to review and recommend to the Board, an appropriate framework of remuneration for Directors and key executives of the Group.

The RC administers the Share Option Scheme which was established on 30 June 2000 in accordance with the rules as approved by shareholders. There were no outstanding options as at the date of the completion of the RTO. No options have been granted during the financial year ended 31 December 2006.

PRINCIPLES 8 & 9

Level and Mix Remuneration & Disclosure on Remuneration

The remuneration packages for Executive Directors comprised both a fixed and a variable component. The variable component is performance-related and a significant proportion of the Executive Directors' remuneration package is linked to the Company's performance and individual directors' performance. Executive Directors do not receive Directors' fees from the Company or from its subsidiaries/associate companies if they are appointed to such Boards.

The non-Executive Directors are paid a fixed fee. Payment of Directors' fees is subject to shareholders' approval at the AGM. The RC is of the view that the remuneration of non-Executive Directors is appropriate; taking into account factors such as effort and time spent, and responsibilities of the Directors.

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The breakdown (in percentage) of the remuneration of the Directors of the Company for the year ended 31 December 2006 is as follows:

Name of Directors	Directors' Fee	Salary	Benefits	Variable Bonus	Total	Remuneration Band
Executive Directors						
Kuok Khoon Hong	Nil	59%	3%	38%	100%	S\$500,001-750,000
Martua Sitorus	Nil	59%	3%	38%	100%	S\$500,001-750,000
Teo Kim Yong	Nil	72%	2%	26%	100%	S\$500,001-750,000
Chua Phuyay Hee	Nil	76%	–	24%	100%	S\$250,001-500,000
Non-Executive Directors						
William Henry Camp	Nil	–	–	–	–	Not applicable
Yu Hung Yen, Stephen (Alternate Director to William Henry Camp)	Nil	–	–	–	–	Not applicable
Independent Non-Executive Directors						
Yeo Teng Yang	100%	–	–	–	100%	S\$250,000 and below
Leong Horn Kee	100%	–	–	–	100%	S\$250,000 and below
Tay Kah Chye	100%	–	–	–	100%	S\$250,000 and below
Kwah Thiam Hock	100%	–	–	–	100%	S\$250,000 and below

Directors' fees in respect of the financial year ended 31 December 2006 are subject to approval by shareholders at the forthcoming AGM.

The Code requires the remuneration of the top five key executives who are not Directors of the Company to be disclosed within bands of S\$250,000. The Company believes that disclosure of remuneration is disadvantageous to its business interests, given competitive industry conditions and the sensitivity of disclosure of staff remuneration matters.

PRINCIPLE 10

Accountability of the Board and Management

The Board and the Management constantly strive towards delivering maximum sustainable value to the shareholders of the Company.

Shareholders are provided with quarterly results available through the SGX-ST website and the Company's latest events and information are posted on its website.

PRINCIPLE 11

Audit Committee

The Audit Committee (AC) comprises three independent directors, Mr Tay Kah Chye (Chairman), Mr Kwah Thiam Hock and Mr Yeo Teng Yang.

The operations of the AC are regulated by its charter. The Board is of the opinion that the members of the AC have sufficient accounting, financial, management expertise or experience to discharge their duties.

The members of the AC meet at least four times a year and perform the following functions:

- To review the criteria for the appointment of a professional public accounting firm as the external auditors to the Company;
- To review with the external auditors, their evaluation of the system of internal accounting controls;
- To review and approve, the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors;
- To review with the external auditors, their audit report, findings and recommendations. Where the external auditor also supply a substantial volume of non-audit services to the Company, to review the nature and extent of such services to maintain the independence of the Auditors.
- To review and approve the financial statements of the Company and the consolidated financial statements of the Group for submission to the Board of Directors for approval.
- To review the assistance given by the Company's officers to the external auditors;
- To nominate external auditors for re-appointment;
- To ensure that the internal audit function is adequately resourced and has appropriate standing within the Group/Company. For the avoidance of doubt, the internal audit function can be either in-house, outsourced to a reputable accounting/auditing third-party firm or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff;

- To review the scope and results of the internal audit procedures;
- To ensure the adequacy of the audit function annually;
- To ensure that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management is conducted annually;
- To review interested person transactions; and
- To meet with the external and internal auditors without the presence of the management at least once a year.

The AC has explicit authority to investigate any matters within the scope of its duties, and power to obtain independent professional advice. It has been given full access to and co-operation by the management and reasonable resources to discharge its duties properly and full discretion to invite other directors or executives to attend its meetings.

Since the completion of the RTO in July 2006, the AC met twice to review, inter alia, the following:

- The financial statements of the Company and the Group before each of the announcements of the Company's quarterly results. During the process, the AC reviewed, among other things, the key areas of management judgment applied for adequate provision and disclosure, critical accounting policies and any significant changes made that would have an impact on the financials;
- The external auditors' plans for the purpose of discussing the scope of the audit and reporting obligations before the audit commences. All significant audit findings and recommendations made by the external auditors were discussed, and where appropriate, implementation of such recommendations were followed up with management;

Corporate Governance

- The independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the nature and volume of non-audit services provided by them. The AC is satisfied that such services do not affect the independence or objectivity of the external auditors;
- The internal audit findings raised by the internal auditors. During the process, material non-compliance and internal control weaknesses were reviewed and discussed. The AC ensured that appropriate follow-up actions had been taken regularly with the management on outstanding internal audit issues; and
- The reporting on Interested Person Transactions to ensure that current procedures for monitoring of Interested Person Transactions had been complied with. These transactions are reviewed quarterly with the internal auditors and annually with the external auditors. The AC is satisfied that the guidelines and review procedures established to monitor Interested Person Transactions have been complied with.

The AC has recommended to the Board the re-appointment of Ernst & Young as the Company's external auditors at the forthcoming AGM.

PRINCIPLES 12 & 13

Internal Controls and Audit

Reporting to the AC, the internal audit department carried out internal audit reviews and performed checks and compliance tests of the Group's systems of internal control, including financial and operational controls and risk management. Ad-hoc reviews are also conducted on areas of concern identified by management and the AC.

The internal audit department, headed by Mr Patrick Tan, has unrestricted access to all records, properties, functions and co-operation from management and staff as necessary to effectively discharge its responsibilities, and is independent of the

activities it audits.

The Board is of the view that the Group currently has an adequate internal control system in place during the financial year under review to provide reasonable but not absolute assurance that there are no material loss or financial misstatement, assets are safeguarded, proper accounting records are maintained, and financial information used with the business and for publication is reliable. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

PRINCIPLES 14 & 15

Communication with Shareholders

In line with continuous obligations of the Company pursuant to the Singapore Exchange's Listing Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

All shareholders of the Company receive the annual reports and notices of general meetings. Shareholders are given the opportunity to voice their views and ask directors questions regarding the Company. The Chairmen of the Audit Committee, Risk Management Committee, Remuneration Committee and Nominating Committee will normally be present at annual general meetings to answer any questions relating to the work of these committees.

DEALINGS IN SECURITIES

The Group has procedures in place prohibiting dealings in the Company's shares by all staff while in possession of price sensitive information and during the period commencing two weeks prior to the announcement of the Company's quarterly results and one month prior to the announcement of the Company's yearly results. Directors and executives are also expected to observe insider-trading laws at all times even when dealing in securities during the permitted trading period.

INTERESTED PERSON TRANSACTIONS

The Company has established a procedure for recording and reporting Interested Person Transactions. Details of significant interested person transactions for the year ended 31 December 2006 are set out below:

Name of Interested Person	Aggregate value of all Interested Person Transactions during the period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all Interested Person Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)*
	2006	2006
	US\$'000	US\$'000
Archer Daniels Midland Group	NIL	1,941,862
Technique Group	NIL	88
Wilmar Holdings Pte Ltd Group	NIL	1,338,853
Martua Sitorus' Associates	2,306	3,865

* The approval for shareholders' mandate was obtained on 7 July 2006 and is applicable for Interested Person transactions immediately upon completion of the RTO till the next Annual General Meeting. The figures shown in this section are from the RTO till 31 December 2006.

All of the above Interested Person Transactions were made under normal commercial terms.

Name of Interested Person	Aggregate value of all Interested Person Transactions during the period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate Balances
	2006	As at 31 December 2006
	US\$'000	US\$'000
Archer Daniels Midland Group	NIL	NIL
Technique Group	NIL	NIL
Wilmar Holdings Pte Ltd	NIL	^(a) 12
Wilmar Holdings Pte Ltd	NIL	^(b) 12,809
Martua Sitorus' Associates	NIL	NIL

Notes

- (a) This pertains to the outstanding interest income relating to loans obtained by Wilmar Holdings Pte Ltd prior to the RTO for the purposes of lending to PT Tania Selatan and PT Musi Banyuasin Indah, subsidiaries of Wilmar International Limited. The loans have since been assigned to Wilmar International Limited, as stated in the Circular dated 10 June 2006 and the interest amount has been repaid in January 2007. There was no further loan given during the period.
- (b) These are bank loans obtained by subsidiaries of Wilmar International Limited prior to the RTO and are guaranteed by Wilmar Holdings Pte Ltd. Transactions comprised roll-overs of the loans and its accrued interest thereon. No disclosure is made of the aggregate value of these transactions conducted during the period as it is not practicable to determine these aggregate values since these transactions involve numerous roll-over of loans. Wilmar Holdings Pte Ltd is in the process of discharging these guarantees, as disclosed in the above-mentioned Circular.

Save as disclosed, there are no other material contracts entered into by the Company and its subsidiaries involving the interest of the Chief Executive Officer, Director or controlling shareholder, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.