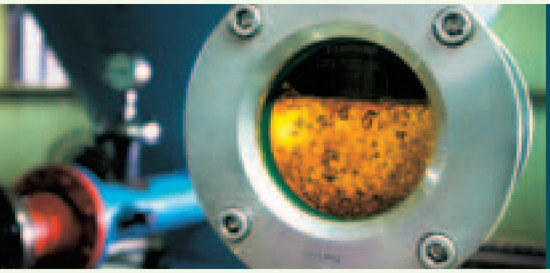
Annual Report 2006

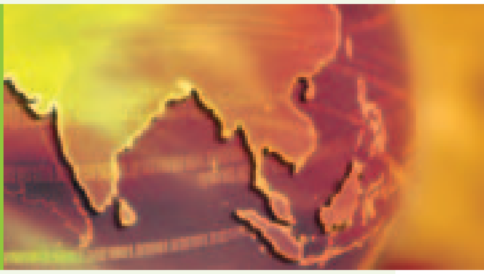
positioned for growth

Increase Oil Palm Plantation Acreage



Expand Merchandising and Processing Capabilities

Increase Market Share in Key Consuming Countries

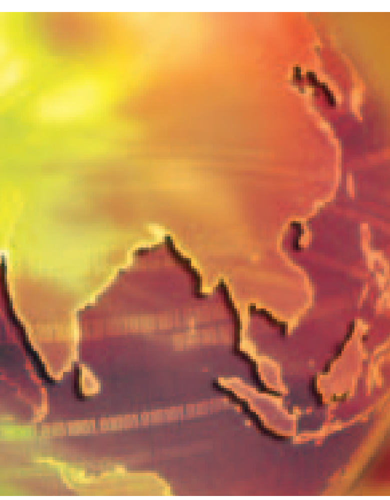


Palm oil is one of the fastest growing segments of the global vegetable oil markets due to the rising global demand for food and alternative energy as well as the rapid increase in production by Indonesia and Malaysia. Asian demand for processed agricultural commodities will remain robust, driven by high economic growth, large population base and low per capita consumption. Against this backdrop, Wilmar has embarked on a three-pronged strategy to position itself for growth.

We Invest

Expand Merchandising and Processing Capabilities

of palm and lauric oils to maintain its leadership position.

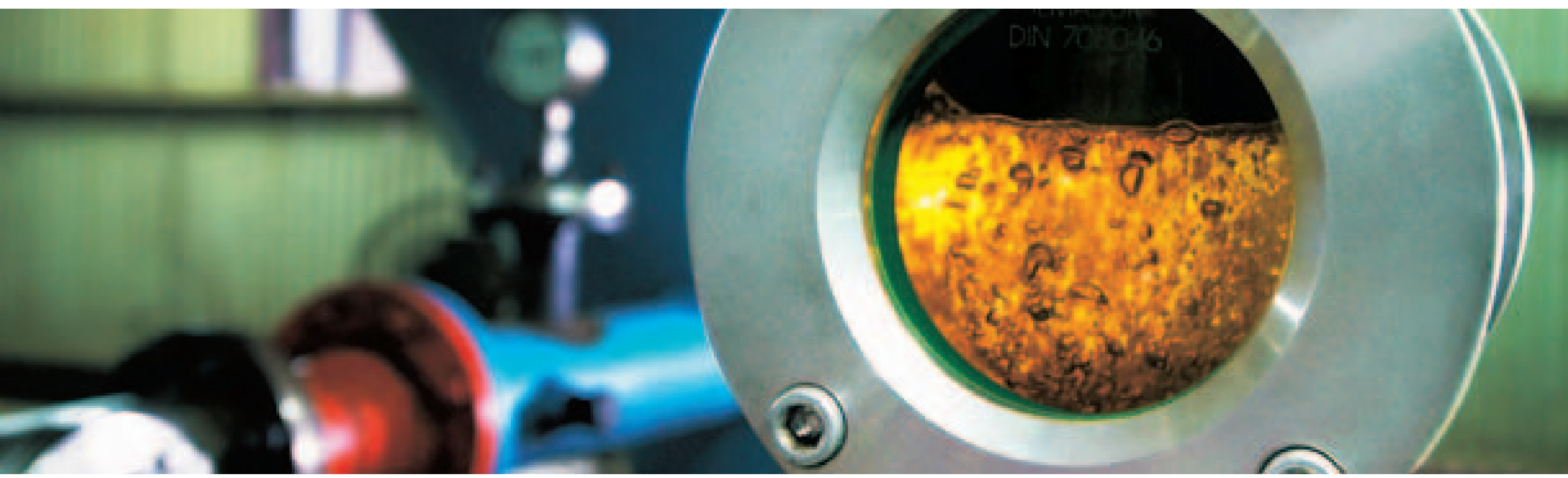


Increase Market Share

of palm oil and other processed agricultural commodities in key consuming countries, particularly in China and India.

Increase Oil Palm Plantation Acreage

through greenfield projects and acquisitions to become a major plantation player.



You Harvest

Contents

Driving with Visionary Leadership

Wilmar International Limited, set up in 1991 as a palm oil trading company, is today one of Asia's largest integrated agribusiness groups. It is one of the region's largest palm oil refiners and crushers of copra and palm kernel. It is also a sizeable plantation owner with extensive palm fruit processing facilities in Indonesia.

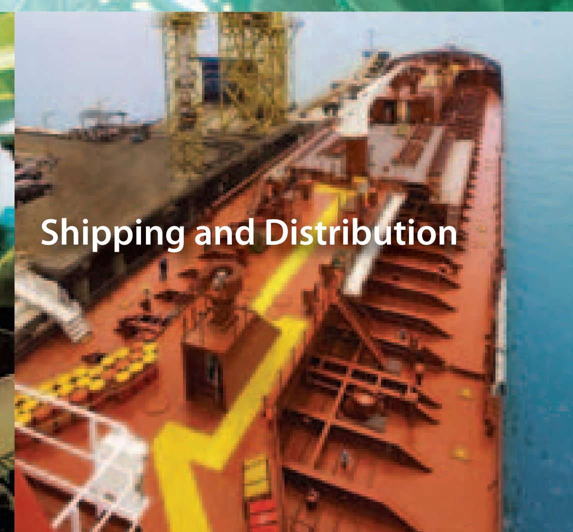
VISIONARY LEADERSHIP, PROVEN MANAGEMENT

From its early days, the Group's focus has been on building an integrated agribusiness model. This has enabled Wilmar to grow quickly through the years and compete successfully in the international market place. Today, the Group has assets totaling some US$1.8 billion and is among the top 20 listed companies by market capitalisation, on the Singapore Exchange.

Wilmar's success is driven by its visionary leadership and a proven management team with expertise in merchandising, development of large integrated manufacturing complexes, plantation management and risk management of commodities.

From cultivation and milling to refining, processing, merchandising and distribution, Wilmar has been able to create synergies for operational efficiency and extract margins at every step of the value chain.

Capturing Margin Across the Value Chain



FULLY INTEGRATED BUSINESS MODEL

By vertically integrating its operations, the Group has been able to create synergies for operational efficiency and extract margins at every step of the value chain – from cultivation and milling to refining, processing, merchandising and distribution of a wide range of palm and lauric oils, and related products.

Wilmar's large and integrated manufacturing complexes benefit from economies of scale through the sharing of common infrastructure and overhead costs, lowering the unit cost of its products. Through integration, the Group enjoys operational efficiency and lower transportation cost as the output from one plant is the feedstock for another plant, within the same manufacturing complex. The Group achieves further integration and cost savings by using waste products from its plants as feedstock for its co-generation plants, to produce steam and electricity for its manufacturing complexes.

As part of its integrated business model, Wilmar has built dedicated ports and jetties with deep draft next to its manufacturing complexes to facilitate shipping, minimise risk of delays and reduce logistics costs. The Group's multiple manufacturing locations and scale of operations allow it to reduce freight costs by shipping in large vessels from the closest port to various destinations. It also owns and operates a fleet of liquid bulk vessels to complement and increase flexibility in its operations.

Corporate Profile

Wilmar further leverages on its integrated business model by manufacturing and supplying compound fertilisers to its network of oil palm plantations and crude palm oil suppliers.

WORLDWIDE CUSTOMER BASE

Wilmar's products are delivered via a wide distribution network to more than 30 countries. It is the dominant supplier to most major markets such as China, India, Africa and the Middle East.

The Group's products are sold in bulk to refiners, processors, wholesalers and retailers. In addition, Wilmar has established its own brands of consumer edible oil – "Sania" and "Fortune" – which have become household names in Indonesia.

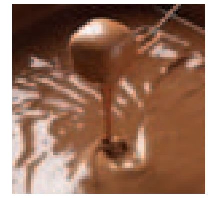
ACCESS TO GLOBAL MARKET INTELLIGENCE

Wilmar's strong shareholders, who are leaders in the global oilseeds and edible oils industry, provide the Group access to extensive global market information.

Its controlling shareholder, Wilmar Holdings Pte Ltd, is a leading processor of oilseeds and edible oils, and a leading distributor of branded edible oils in China. In India, it is one of the largest edible oils refiners and distributors of branded edible oils, while in East and South Africa, it is the leading importer of edible oils.

Its substantial shareholder, Archer Daniels Midland Company (ADM), is one of the largest agricultural processors in the world, with broad-based knowledge

Wilmar consistently applies R&D technologies throughout the value chain – from improving yields and enhancing palm oil extraction rates to developing new higher value-added downstream products.



Spearheading Research at the Forefront

and technical expertise in oilseeds, edible oils and grain processing. ADM is a Fortune 100 company and is listed on the New York Stock Exchange.

As a significant buyer of crude palm oil, palm kernel and copra in Indonesia, Wilmar has extensive and the most up-to-date information on the supply of raw materials. In addition, it has a strong understanding of demand due to its major shareholders' presence in the key consuming countries. This global market intelligence enables the Group to enhance profitability through timely purchase of raw materials and sale of manufactured products.

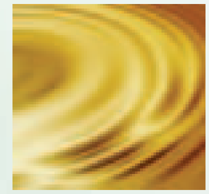
FOREFRONT OF RESEARCH AND DEVELOPMENT APPLICATIONS

Wilmar is at the forefront of research and development (R&D) efforts in the palm oil industry to raise the quality of its products and improve the efficiency of its operations. It consistently applies R&D technologies throughout the value chain – from improving yields and enhancing palm oil extraction rates to developing new higher value-added downstream products such as specialty fats to cater to the needs of customers. The Group also has valuable access to its shareholders' technical and R&D expertise.

SOCIALLY RESPONSIBLE CORPORATE CITIZEN

As part of its commitment to promote sustainable palm oil, Wilmar collaborates with government and international organisations in a series of environmental protection programmes by lending its technical expertise or jointly developing environmentally friendly methods of cultivation and processing. In addition, Wilmar is committed to social development and is active in improving community welfare and social development policies.

Wilmar stands well-positioned to capture a significant share of the expanding global palm oil market, driven by the growing demand for edible oils and energy.



Building an Agribusiness Giant

BUILDING ASIA'S LEADING AGRIBUSINESS GROUP

Today, Wilmar stands well-positioned to capture a significant share of the expanding global palm oil market, driven by the growing demand for edible oils and energy. In anticipation of the heightened demand, the Group has embarked on a growth strategy to raise its plantation acreage, expand merchandising and processing capabilities as well as increase market share in key consuming countries.

The Group is in the midst of a significant merger and restructuring exercise, which is expected to complete by mid-2007. With this transformational corporate exercise, Wilmar is poised to become Asia's leading agribusiness group.

2006 marked a very significant year in our corporate history. Ezyhealth Asia Pacific Ltd completed the acquisition of the palm oil and related assets from Wilmar Holdings Pte Ltd (the reverse takeover) and transformed into Wilmar International Limited, one of Asia's largest integrated agribusiness groups. Following a successful equity placement exercise which raised approximately US$180 million, Wilmar was re-quoted on the Singapore Exchange on 8 August 2006.

2006 FINANCIAL PERFORMANCE

I am pleased to report significantly stronger earnings for the year ended 31 December 2006 (FY2006).

Net profit recorded a sharp increase of 80.2% to US$104.6 million compared to the previous financial year, achieved through enhanced margins and volume growth in key business divisions. Revenue grew by 14% for FY2006 to US$5.3 billion.

We benefited from favourable market conditions and higher demand for our products. We are also reaping the rewards of our growth strategy and the strong competitive edge of our integrated business model.

As a result of our much improved performance, earnings per share rose 68.9% to 4.51 US cents for FY2006, from 2.67 US cents a year ago.

The Group's balance sheet has strengthened, boosted by our strong financial performance for FY2006 and the proceeds from our equity placement exercise in August 2006. As at 31 December 2006, the Group had total assets of US$1.8 billion and shareholders' funds of US$584.8 million. Net gearing ratio reduced substantially from 2.5x a year ago to 1.2x at the end of 2006 while cashflow from operations recorded a sharp turnaround to an inflow of US$99.7 million in FY2006, from an outflow of US$52.5 million in the previous year.

DIVIDENDS

We paid a tax-exempt interim dividend of S$0.013 per ordinary share on 15 March 2007, in place of a final dividend for financial year 2006. The dividend represents a payout ratio of approximately 20.5% and we have thus delivered on our intention to pay out 20% of our FY2006 net profit, as indicated in the reverse takeover circular.

EXPANSION DRIVE IN 2006

During the year, we completed a major expansion drive to increase our processing capacity in palm oil milling, refining, palm kernel crushing and fertiliser manufacturing. We are also expanding into the biodiesel sector via three biodiesel plants in Indonesia with a combined capacity of 1.05 million metric tonnes (MT) per annum or 350,000 MT per annum each. The first plant was commissioned in January 2007 while the remaining two plants are expected to complete in the second and third quarters of 2007.

In August and September last year, we announced the acquisition of approximately 140,000 hectares of plantation land with 12,700 hectares of planted area, thereby increasing our landbank to about 210,000 hectares and planted area to 66,367 hectares as at 31 December 2006.

PROPOSED MERGER AND RESTRUCTURING EXERCISE

On 14 December 2006, we announced a proposed merger with the Kuok Group's palm plantation, edible oils, grains and related businesses comprising Kuok Oils & Grains Pte Ltd, PGEO Group Sdn Bhd and PPB Oil Palms Berhad in a deal worth up to US$2.7 billion. In a separate transaction, the Group also announced a restructuring exercise to acquire the edible oils, grains and related businesses of our parent company, Wilmar Holdings Pte Ltd, including interests held by Archer Daniels Midland Asia Pacific and its subsidiaries in these businesses, for US$1.6 billion.

Upon completion, the enlarged Group will become:

- the leading global processor and merchandiser of palm and lauric oils;
- one of the largest plantation companies in Indonesia/Malaysia;
- the leading merchandiser of consumer pack edible oils as well as the leading oilseeds crusher, edible oils refiner, specialty fats and oleochemical manufacturer in China;
- one of the largest edible oils refiners and the leading producer of consumer pack edible oils in India (through joint-venture);
- the leading importer of edible oils into East and South Africa;
- the largest edible oils refiner in Ukraine; and
- the largest palm biodiesel manufacturer in the world.

In Indonesia and Malaysia, the merged entity will have a combined plantation landbank of more than 570,000 hectares and refining capacity of about 10 million MT per annum. In China, the merged entity will have a consumer oil packing capacity of about 4 million MT per annum, soya bean crushing capacity of more than 10 million MT per annum and an edible oil refining capacity of more than 5 million MT per annum.

The minimal duplication in operations and the strengths of the various entities in the merger and restructuring, result in a very strategic fit. By streamlining the operations of the various entities, capitalising on the multiple location processing facilities and with better access to market information, the enlarged Wilmar will be able to reap synergies from the merger and better position itself for growth.

Through the proposed merger and restructuring exercise, Wilmar is poised to become Asia's leading agribusiness group.

We are currently working with various parties involved in the transactions including our financial advisors, to finalise the necessary documentation and to obtain all necessary regulatory and shareholder approvals. These corporate exercises are targeted to complete in the second quarter of 2007.

OUTLOOK AND PROSPECTS

We are optimistic about the outlook for palm oil due to the rising demand for food and energy globally. Barring a collapse in energy prices, we expect palm oil prices to remain favourable and hence, we will continue to increase our oil palm plantation acreage. Through the merger, we will have a very large landbank and greater expertise to develop oil palm plantations, especially in Indonesia. The merged entity will own a combined planted area of approximately 170,000 hectares and it is our intention to plant about 40,000 hectares per annum to become a major plantation group within 10 years.

As the production of palm oil will continue to grow rapidly in Indonesia and Malaysia, we will expand our merchandising and processing capabilities in line with production growth.

Demand for quality processed agricultural commodities in Asia, especially in China and India, is expected to remain robust driven by high economic growth, large population base and low per capita consumption. Given the merged entity's significant presence in China and India in processed agricultural commodities, we are well-positioned to capture the growth opportunities in these two markets.

COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE PALM OIL

As a responsible corporate citizen, we regard our social obligations seriously by complying with environmental and pollution standards, and contributing to the welfare of the communities in which we operate. We manage our operations in a manner consistent with internationally-recognised best practices.

Our commitment is further demonstrated by our active involvement in activities promoting sustainable palm oil. These include participation in the Roundtable on Sustainable Palm Oil's (RSPO) two-year trial implementation project to field-test and review a set of principles and criteria for sustainable palm oil production, and supporting the Zoological Society of London's research on the conservation of endangered species. We have also participated in evaluations and audits on our environmental and social performance by the International Finance Corporation and Control Union Certifications of the Netherlands. (Please refer to the section "Corporate Social Responsibility" for more information.)

IN APPRECIATION

Upon completion of the reverse takeover exercise on 14 July 2006, the Board of Directors was reconstituted to include new members – Mr Martua Sitorus, Mr Teo Kim Yong, Mr Stephen Yu, Mr Yeo Teng Yang, Mr Tay Kah Chye and Mr Kwah Thiam Hock. Mr William Camp was appointed to the Board on 31 October 2006, while Mr Stephen Yu resigned and was appointed as the Alternate Director to Mr Camp on the same day. I would like to extend a warm welcome to our new Directors and thank Mr Leong Horn Kee for agreeing to continue his service on the Board. I would also like to thank the former Board members – Mr Yeo Wee Kiong, Mrs Janice Yeo, Mr Ng Ede Phang and Mr Tysun Ihm for their past contributions and especially for their co-operation and support leading to the successful completion of the reverse takeover exercise.

I would like to express our sincere appreciation to our employees for their contribution, commitment and dedication, which brought Wilmar to where it is today. Our sincere appreciation also goes to our suppliers, customers and bankers for their strong support over the years.

Last but not least, I would like to thank our shareholders for their support and confidence in us and I look forward to their continued support as we strive to enhance shareholder value.

Kuok Khoon Hong
Chairman & Chief Executive Officer

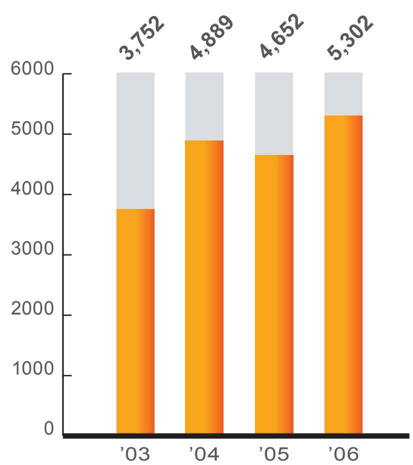
19 March 2007

Financial Highlights

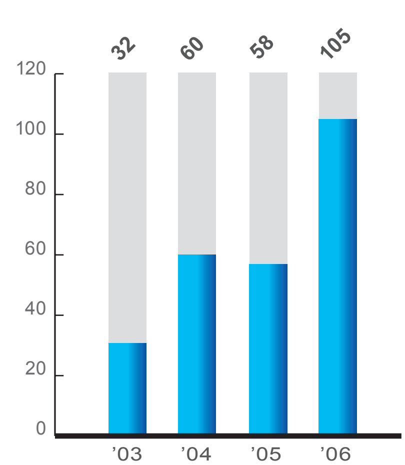
Income Statement (US$ million)	2003	2004	2005	2006
Group Revenue	3,752	4,889	4,652	5,302
Net Profit After Tax	32	60	58	105
Earnings Per Share (US cents)	1.45	2.77	2.67	4.51

Balance Sheet (US$ million)	2003	2004	2005	2006
Long Term Assets	395	418	589	780
Total Assets	1,127	1,185	1,569	1,844
Shareholders' Fund	164	218	266	585

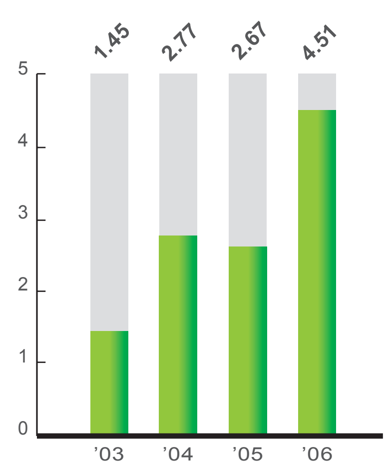
GROUP REVENUE (US$ MILLION)



NET PROFIT AFTER TAX (US$ MILLION)

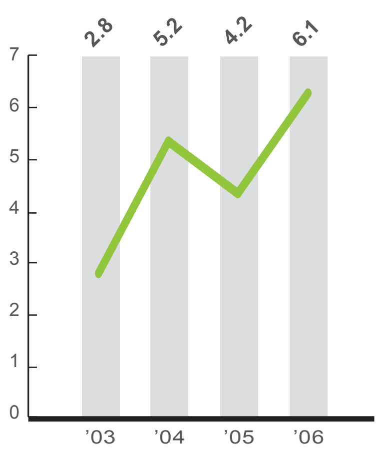


EARNINGS PER SHARE (US CENTS)

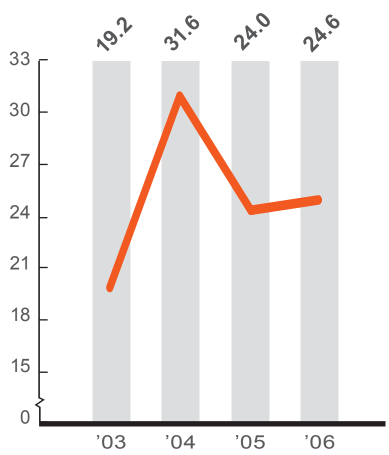


Key Ratios	2003	2004	2005	2006
Net Gearing Ratio (times)	3.3	2.0	2.5	1.2
Return on Average Assets (%)	2.8	5.2	4.2	6.1
Return on Average Equity (%)	19.2	31.6	24.0	24.6

RETURN ON AVERAGE ASSETS (%)



RETURN ON AVERAGE EQUITY (%)



Board of Directors

*From left to right: Yeo Teng Yang, Chua Phuay Hee,
Yu Hung Yen Stephen, Teo Kim Yong, Martua Sitorus,
Kuok Khoon Hong, William Henry Camp, Kwah Thiam Hock,
Leong Horn Kee, Tay Kah Chye*

KUOK KHOON HONG
Chairman & Chief Executive Officer

Mr Kuok is the Co-founder, Chairman and Chief Executive Officer of the Group. He is in charge of overall management of the Group with a particular focus on new business development. He has extensive experience in the industry and has been involved in the grain, edible oils and oilseed business since 1973. Mr Kuok has completed many projects involving the establishment of oil palm plantation in Asia and the processing of grains, edible oils and oilseeds. He has held several key executive positions in various companies, including General Manager of Federal Flour Mills Bhd from 1986 to 1991, and Managing Director of Kuok Oils & Grains Pte Ltd from 1989 to 1991. Mr Kuok graduated from the then University of Singapore with a Bachelor of Business Administration degree.

MARTUA SITORUS
Executive Director & Chief Operating Officer

Mr Sitorus is the Co-founder, Executive Director and Chief Operating Officer of the Group. Being experienced in the area of edible oils, he is in charge of operations and the development of plantations, infrastructure, factories and facilities. Mr Sitorus has been instrumental in the development of Wilmar's business operations in Indonesia. He holds a degree in Economics from HKBP Nomensen University in Medan, Indonesia.

CHUA PHUAY HEE
Executive Director

Mr Chua is in charge of Finance and Corporate Services, which include Finance, Corporate Secretarial, Legal, Information Technology, Risk Management and Investor Relations. Mr Chua joined the Group in 2002. His past positions include Chief Financial Officer and Chief Risk Officer of Keppel TatLee Bank, Singapore. Prior to that, he spent 9 years with the Monetary Authority of Singapore in various capacities relating to insurance regulation, human resource management and securities industry regulation. He is a director of Industrial Bank Co., Ltd., a company listed on the Shanghai Stock Exchange. Mr Chua received his Masters of Science (Actuarial Science) degree from Northeastern University, Boston, USA, and a Bachelor of Science (First Class Honours) degree in Mathematics from the then Nanyang University, Singapore.

Board of Directors

TEO KIM YONG
Executive Director

Mr Teo is in charge of commercial activities and the Group's merchandising of palm and lauric oils. Mr Teo joined the Group in 1992 and has extensive experience in the merchandising of edible products. His past positions include Marketing Manager of Sime Darby Edible Products and International Marketing Manager of Hwa Hong Oil Industries. He also served as a director of Gardner Smith, Singapore, Marketing Director of Keck Seng Pte Ltd and Managing Director of Kimlimco Pte Ltd. Mr Teo graduated from the then University of Singapore with a Bachelor of Business Administration degree.

WILLIAM HENRY CAMP
Non-Executive Director

Mr Camp is the Executive Vice President, Global Processing of Archer Daniels Midland Company (ADM), a company listed on the New York Stock Exchange, with responsibilities for ADM's global manufacturing, grain handling and transportation operations. He has almost 30 years' experience within the agricultural industry. Mr Camp joined ADM in 1985 and has held various senior management positions, including Senior Vice President with responsibilities for ADM's global oilseeds, cocoa, and wheat milling operations, President-ADM South American division, President-ADM North American Oilseed Processing division and President-ADM Transportation. He holds a Bachelor of Business Administration degree from the University of Illinois, USA. Mr Camp is a director of Agri Core United, a company listed on the Toronto Stock Exchange.

YU HUNG YEN, STEPHEN
Alternate Director to William Henry Camp

Mr Yu is currently the Corporate Vice President of Archer Daniels Midland Company (ADM) and the Managing Director of the Asia Pacific region. He has been involved in the grains and oilseeds business since 1986. Mr Yu holds a Masters of Business Administration degree from New York University and a Bachelor of Science degree from Carnegie Mellon University, USA.

YEO TENG YANG
Lead Independent Director

Mr Yeo is the lead independent director. He currently sits on the boards of various companies as a non-executive director, including United International Securities Ltd, Singapore. Mr Yeo has extensive experience in banking and finance. From 1995 to 2000, he was the Senior Executive Vice-President with United Overseas Bank, Singapore, and held several responsibilities in the bank's international banking business, treasury, stockbroking, fund management, risk management and corporate services. He also served as a Board Member of Korea First Bank, South Korea, from 2000 to 2005. Mr Yeo holds a Bachelor of Social Sciences degree from the then University of Singapore and a Masters degree in Economics and Finance from Yale University, USA.

LEONG HORN KEE
Independent Director

Mr Leong has been an independent director since 2000. He is currently an Executive Director of Far East Organization. He has extensive experience in both the public and private sectors. He has served in the Singapore Government's Administrative Service, and has worked in various industries such as investments, venture capital, merchant banking, hotels, food and beverage, and property development. He was a member of Parliament for 22 years from 1984 to 2006 and the Chairman of Parliament's Public Accounts Committee from 2004 to 2006. He was appointed Singapore's Non-resident Ambassador to Mexico in 2006. Mr Leong holds a Production Engineering and Management degree (Honours) from Loughborough University of Technology UK, an Economics (Honours) degree from the University of London, UK and a Masters of Business Administration from INSEAD, France.

TAY KAH CHYE
Independent Director

Mr Tay is currently the President and Chief Executive Officer of ASEAN Finance Corporation (AFC), a regional merchant bank based in Singapore and owned by various leading banks and financial institutions in ASEAN. He joined AFC in 1991 as Senior Vice President and assumed the current position in 1991. Mr Tay has vast experience in banking and finance. Prior to joining AFC, Mr Tay was with Citibank N.A. Singapore Branch, where he started his banking career in 1973. His last held position in Citibank was Vice President and Head of its Corporate Marketing Group. During his 18 years with Citibank, he held various positions in banking operations, credit management and marketing. Mr Tay is also the Honorary Secretary General of ASEAN Bankers Association, a regional banking industry group, and a member on the board of directors in, among others, Aventures Capital Management Private Limited and the Cambodia Mekong Bank Public Limited Company. Mr Tay holds a Bachelor of Social Sciences in Economics degree from the then University of Singapore.

KWAH THIAM HOCK
Independent Director

Mr Kwah sits on the board of various companies including IFS Capital Limited and Select Catering Services Limited. He started his career in 1964 with the Port of Singapore Authority. From 1969 to 1970, he was an Assistant Accountant with the Singapore Textile Industries Limited. Subsequently, he served as the Secretary and Assistant Accountant in Singapore Spinners Private Limited from 1970 to 1973 and later in 1974, he moved on to become the Regional Accountant and Deputy Manager of its related company, IMC (Singapore). Mr Kwah left to join ECICS Holdings Ltd in 1976 and rose to become its President and Chief Executive Officer. He stepped down from ECICS Holdings Ltd in 2003 to assume the position of Principal Officer and Chief Executive Officer of ECICS Limited, a wholly-owned subsidiary of listed IFS Capital Limited. Mr Kwah retired from ECICS Limited in December 2006. He is a Fellow, Certified Public Accountant of Australia, ICPAS and ACCA. He graduated from the then University of Singapore in 1973 with a Bachelor of Accountancy degree.

Key Management Team

Kuok Khoon Hong
Chairman & Chief Executive Officer

Martua Sitorus
Executive Director &
Chief Operating Officer

Chua Phuay Hee
Executive Director
(Finance & Corporate Services)

Teo Kim Yong
Executive Director
(Commercial)

Goh Ing Sing
Group General Manager
(Plantation Division)

Matthew John Morgenroth
Group Technical Head

Hendri Saksti
Head of Operations, Indonesia

Rahul Kale
Head of Biofuels & Oleochemicals

Sng Miow Ching
Group Financial Controller

Patrick Tan Soo Chay
Head of Internal Audit

BOARD OF DIRECTORS

Kuok Khoon Hong (Chairman)
Appointed on 24 March 2006

Martua Sitorus
Appointed on 14 July 2006

Chua Phuay Hee
Appointed on 24 March 2006

Teo Kim Yong
Appointed on 14 July 2006

William Henry Camp
Appointed on 31 October 2006

Yu Hung Yen, Stephen
Appointed on 31 October 2006 as alternate to William Henry Camp

Yeo Teng Yang
Appointed on 14 July 2006

Leong Horn Kee

Tay Kah Chye
Appointed on 14 July 2006

Kwah Thiam Hock
Appointed on 14 July 2006

EXECUTIVE COMMITTEE

Kuok Khoon Hong (Chairman)
Martua Sitorus
Chua Phuay Hee
Teo Kim Yong

AUDIT COMMITTEE

Tay Kah Chye (Chairman)
Kwah Thiam Hock
Yeo Teng Yang

NOMINATING COMMITTEE

Kwah Thiam Hock (Chairman)
Kuok Khoon Hong
Tay Kah Chye

REMUNERATION COMMITTEE

Kwah Thiam Hock (Chairman)
Kuok Khoon Hong
Yeo Teng Yang
Leong Horn Kee

RISK MANAGEMENT COMMITTEE

Yeo Teng Yang (Chairman)
Kuok Khoon Hong
Leong Horn Kee

COMPANY SECRETARY

Colin Tan Tiang Soon

REGISTERED OFFICE

56 Neil Road, Singapore 088830
Telephone: (65) 6216 0244
Facsimile: (65) 6836 1709

SHARE REGISTRAR

Tricor Barbinder Share
Registration Services
8 Cross Street
#11-00 PWC Building
Singapore 048424

AUDITORS

Ernst & Young
One Raffles Quay
#18-01 North Tower
Singapore 048583
(Partner-in-Charge: Max Loh Khum Whai)
Appointed on 14 July 2006

PRINCIPAL BANKERS

DBS Bank Ltd
Oversea-Chinese Banking
Corporation Limited
ABN AMRO Bank
Bank of Tokyo-Mitsubishi UFJ Ltd
Fortis Bank SA/NV
ING Bank NV
Malayan Banking Berhad
Rabobank
Standard Chartered Bank
PT Bank Central Asia, Tbk
PT Bank Mandiri (Persero), Tbk
Southern Bank Berhad

MERCHANDISING AND REFINERY

Palm and Laurics

Wilmar's ability to extract value along the entire value chain from origination to destination is enhanced by its efficient logistics management and merchandising distribution network.

The Group's primary focus for its merchandising and refinery division is on tropical oil, namely palm and lauric oils. (Lauric oils comprise palm kernel oil and coconut oil, used primarily for the production of specialty fats and in the oleochemical industry to produce soaps, detergents, cosmetics, shampoo, plastics, lubricants and pharmaceutical products.)

Industry trend in 2006

Following the trend in previous years, the supply of palm oil rose again in 2006. Production by Malaysia and Indonesia, the two largest palm oil producers in the world, increased by about 2.5 million metric tonnes (MT).

Prices of palm oil went up in 2006 due to the increase in demand for edible use from China and India, and power generation from Europe. Industry projections of additional global demand of 4 to 5 million MT of biodiesel between 2007 and 2009, gave the market a strong psychological boost. As palm oil is now part of the energy complex, the persistently high mineral oil prices have put a floor price to palm oil.

Robust merchandising activities

In FY2006, the total volume of palm and laurics merchandised by the Group increased 23.3% to 8,100,100 MT from 6,570,800 MT in FY2005. The growth was in tandem with increased global demand for palm and lauric oils for food and energy.

In merchandising, Wilmar has the advantage of leveraging on its parent company's operations in China, India, Africa and Ukraine, and sales network in other markets. All decision-making on merchandising activities throughout the various regions is centralised in the merchandising department situated at the Group's headquarters in Singapore. Manned by an experienced team, the department is responsible for co-ordinating sales in various markets and developing new customers and markets.

The Group's current fleet of seven vessels with an aggregate cargo capacity of 60,640 dead weight tonnage, improves flexibility and operational efficiency, and optimises supply chain management.

Production growth through capacity expansion

Total production volume for palm and laurics amounted to 6,064,700 MT in FY2006, a 21.9% increase over 4,973,900 MT in FY2005. The growth was in line with the increase in the Group's refining capacity. In FY2006, Wilmar's palm oil mills supplied about 22% of the Group's crude palm oil requirements. The rest were sourced from third-party suppliers.

As at 31 December 2006, the Group's production facilities included the following:

- 18 refining plants in nine locations in Sumatra, Kalimantan and Butterworth, with a combined capacity of 5,339,400 MT per annum.
- 17 fractionation plants in nine locations in Sumatra, Kalimantan and Butterworth with a total capacity of 5,177,700 MT per annum.
- 17 palm kernel and copra crushing facilities in 12 locations in Sumatra, Sulawesi and Kalimantan with a total capacity of 1,894,200 MT per annum.

Included in the Group's production facilities above are new facilities commissioned in 2006, comprising:

- Three refining plants with a total capacity of 1,485,000 MT per annum.
- Three fractionation plants with a total capacity of 1,485,000 MT per annum.
- Four palm kernel crushing plants with a total capacity of 264,000 MT per annum.

In FY2005, Wilmar entered into a 50 : 50 joint venture with TSH Resources Bhd in its foray into Sabah, East Malaysia. The joint venture operates refining (capacity of 825,000 MT per annum), fractionation (660,000 MT per annum) and palm kernel crushing (165,000 MT per annum) plants in Kunak Jaya. Both the refinery and fractionation plants were commissioned in December 2006 while the crushing plant was commissioned in March 2007. The Sabah state is a major producer of palm oil while Kunak, with its deep seaport and proximity to China, provides logistical advantage for the shipment of refined products to China.

Improved margins from favourable market conditions and greater efficiency

Merchandising and processing margins improved to US$12.44 per MT in FY2006 from US$9.05 per MT the year before. Favourable market conditions, cost savings from higher production capacity and plant utilisation contributed to the firmer margins.

Refining margins are influenced by the availability of raw materials and the demand for refined products. The Group usually enjoys higher margins in the second half of the year due to seasonality factors resulting in higher supply of raw materials and higher demand for refined products for the festive seasons.

Outlook and prospects

The outlook for the palm oil industry continues to be bright. In 2006, both Indonesia and Malaysia produced about 32 million MT of palm oil, with the potential to

almost double to 60 million MT in 10 years' time. The expected rise in production is due to the rapid expansion of acreage, especially in Indonesia. As palm oil remains the cheapest high quality vegetable oil for food and energy uses, demand will continue to grow in the future.

The governments of Indonesia and Malaysia are actively promoting the bioenergy sector which should benefit the palm oil industry in the long run.

The proposed merger with the Kuok Group, which has a strong manufacturing presence in Malaysia, will result in Wilmar becoming the world's leading merchandiser and processor of palm oil with a combined refining capacity of approximately 10 million MT per annum. The multiple processing locations, enhanced market intelligence and scale of the enlarged group will provide synergies and further strengthen its ability to tap the growth opportunities in the palm oil sector.

MERCHANDISING AND REFINERY

Soya Bean and Soya Bean Meal

Wilmar also engages in the merchandising of non-palm oil related products, namely soya bean, soya bean meal, crude soya bean oil and other grains, for and on behalf of its parent company, Wilmar Holdings Pte Ltd (WHPL) and its group of companies in China. The WHPL Group owns 12 crushing facilities in China.

In FY2006, soya bean and soya bean meal merchandised on behalf of the WHPL Group amounted to 6,687,500 MT, compared to 6,663,200 MT in FY2005. Wilmar earned a fixed margin of US$1.00 per MT in FY2006, an upward revision from the margin of US$0.25 per MT in FY2005.

Upon completion of the acquisition of WHPL's edible oils, grains and related businesses, this segment will be reported as part of the oilseed crushing business in China.

PLANTATIONS AND PALM OIL MILLS

Wilmar's oil palm plantations are located in Sumatra and Kalimantan, Indonesia. Besides the fresh fruit bunches (FFB) from its own plantations, Wilmar also processes FFB from third-party suppliers, including small landholders under the Plasma Programme developed by the Group. The Plasma Programme is a government initiative whereby plantation companies such as Wilmar help the small landholders develop their plantation plots.

The crude palm oil and palm kernel produced by our mills are supplied primarily to our refineries and palm kernel crushing plants.

Landbank and new plantings

As at end-2006, Wilmar's total plantation land stood at more than 210,000 hectares of which 66,367 hectares have been planted. Of its total landbank, approximately 140,000 hectares were acquired in August and September 2006, including 12,700 hectares of planted area.

The table below shows the breakdown of planted and mature hectarage owned by Wilmar and managed under the Plasma Programme:

In hectares	Planted	Mature	Immature
Wilmar	66,367	55,318	11,049
Plasma Programme	32,132	29,983	2,149

In FY2006, Wilmar planted an area of 4,931 hectares. The Group originally set a target of 15,000 hectares per annum for new plantings, which will be revised upward to 40,000 hectares when the proposed merger with the Kuok Group's plantation business is completed. This expansion plan is mainly focused in Kalimantan where most of the new landbank is located.

Higher FFB yields

In FY2006, Wilmar's plantations produced a total of 995,194 MT of FFB, achieving a yield of 21.2 MT of FFB per hectare, an increase of 16.5% compared to 18.2 MT per hectare in FY2005. Total tonnage of FFB produced in FY2005 was 816,558 MT.

The strong improvement in FFB yield was due to factors such as favourable agricultural and climatic conditions as well as a higher proportion of planted area reaching prime yield stage. Plantations acquired in the previous year also produced better yields from increased agricultural inputs and better management control.

While the overall yield for FY2006 showed an increase, it was adversely affected in the fourth quarter due to a drought in South Sumatra affecting approximately 20% of the Group's total planted area. The impact will flow through to the first quarter of FY2007 and early FY2008.

Increased milling capacity

At the end of the financial year, Wilmar owned 20 mills in Indonesia. Total processing capacity was about 7,080,000 MT per annum compared to 5,370,000 MT per annum from 15 mills at end-FY2005. The total volume of FFB processed in 2006 was 3,977,076 MT, an increase of about 22% from 3,266,332 MT processed in 2005. The significant growth in the volume of FFB processed was largely attributable to the operation of new mills during the year.

The oil extraction rate increased slightly from 20.7% in 2005 to 20.9% in 2006, while the kernel extraction rate improved from 4.8% to 5%.

Best management practices

The Group is committed to the use of best management practices to ensure the continued success of its plantation business. Best management practices include good field and harvesting standards and timely applications of adequate fertilisers to optimise crop yields. Wilmar has over the years, built up a strong team of hands-on managers and staff who are committed to the common objective of achieving the highest standards for our plantations.

Staff morale and camaraderie are maintained within the workforce through caring for their social well-being and livelihood as well as community development projects to improve the conditions of surrounding communities. The Group also complies with government regulations and maintains cordial relationships with local government officials, studies measures for continuous improvement and keeps abreast of new developments in the industry. For more information, please refer to the Corporate Social Responsibility section.

Outlook and prospects

Wilmar is optimistic about the outlook for the palm oil industry due to the rising global demand of palm oil for food and alternative energy, and high mineral oil prices.

Upon completion of the proposed merger with the Kuok Group's palm plantation business, the enlarged plantation division will own a combined landbank of more than 570,000 hectares of which approximately 170,000 hectares are planted. The Group's objective is to plant about 40,000 hectares per annum and to achieve a total planted area in excess of 500,000 hectares within a decade.

BIODIESEL

Growing concerns about global warming and the impact of carbon emission on the environment have resulted in several initiatives on emission control, which will encourage the use of renewable fuels and energy. This represents tremendous opportunities for oilseed growers and processors to produce biodiesel, bioethanol and biomass from agricultural sources, including vegetable oils.

Wilmar's foray into biofuels is its recent venture into biodiesel. Biodiesel is a direct derivative of vegetable oils, resulting in a good fit for the overall business and makes vegetable oils part of the energy complex. As a result, the energy complex has begun to exert a large impact on palm's economics.

Wilmar's biodiesel manufacturing capacity comprises three biodiesel plants with a capacity of 350,000 MT per annum each. The plants are located in its integrated manufacturing complex in Pelintung, Sumatra, which has a private jetty with deep draft. The location of the plants provides easy access to abundant cheap raw materials while the integrated model will result in low manufacturing and logistics cost, enabling Wilmar to be a very efficient low-cost manufacturer of biodiesel.

Wilmar's biodiesel production process is based on the proven technology for biodiesel production of its substantial shareholder and strategic partner, Archer Daniels Midland Company (ADM), the world leader in renewable transport fuels.

The Group's first biodiesel plant was successfully commissioned in January 2007. Progress on the other two plants is on schedule, with commissioning expected in the second and third quarters of 2007. The bulk of Wilmar's biodiesel capacity in FY2007 has been pre-sold to buyers in Europe and the USA.

OTHERS

This division comprises primarily the manufacture and sale of fertilisers, which is complementary to the Group's business. Wilmar's customers for its fertiliser business are the suppliers of the Group's crude palm oil and palm kernel requirements, enabling Wilmar to tap on this captive market and minimise credit risk.

Wilmar produces NPK compound fertilisers and is also engaged in the trading of straight fertilisers such as potash and rock phosphate. NPK compound fertiliser comprises three primary nutrients – nitrogen (N), phosphorus (P) and potassium (K).

In FY2006, sales of NPK compound and straight fertilisers totaled 871,224 MT, higher than the 851,560 MT sold in FY2005. The growth was mainly from NPK compound fertilisers which recorded a sales volume of 150,740 MT in FY2006, compared to 104,797 MT a year ago. Increased customer awareness through educational seminars conducted by Wilmar for planters on the benefits of NPK compound fertiliser and application techniques, contributed to the growth in sales volume.

Profit margins were lower in FY2006 as transportation costs rose due to higher fuel costs. The Group was unable to fully pass on the additional transportation costs as most of its sales had been contracted for three to six months forward. As fuel costs stabilise, margins are expected to improve.

Overall demand for fertilisers in Indonesia is expected to increase further due to the expansion in oil palm plantation acreage and the positive outlook on palm oil prices. Demand of NPK compound fertilisers is expected to grow even faster as more plantations become aware of the benefits of using compound fertilisers. With its first plant running at full capacity, Wilmar has recently commissioned its second NPK compound fertiliser plant, increasing its capacity from 118,800 MT per annum to 448,800 MT per annum.

RESEARCH AND DEVELOPMENT

The Group's research and development (R&D) activities are focused on improving the quality and range of its products, meeting customers' requirements and improving operational efficiency. The R&D activities undertaken are as follows:

Specialty fats

Specialty fats products include cocoa butter equivalents (CBE), cocoa butter replacers (CBR), cocoa butter substitutes (CBS), specially formulated filling fats, creaming fats, ice-cream fats, milk fat replacers, margarines, shortenings, frying fats and many tailor-made fats to suit customers' requirements. Relative to Wilmar's group revenue, these products are of low volume, high margin and high value-add. The Group recognises the potential and long-term benefits of having a competitive edge in specialty fats and devotes a lot of R&D efforts into this area.

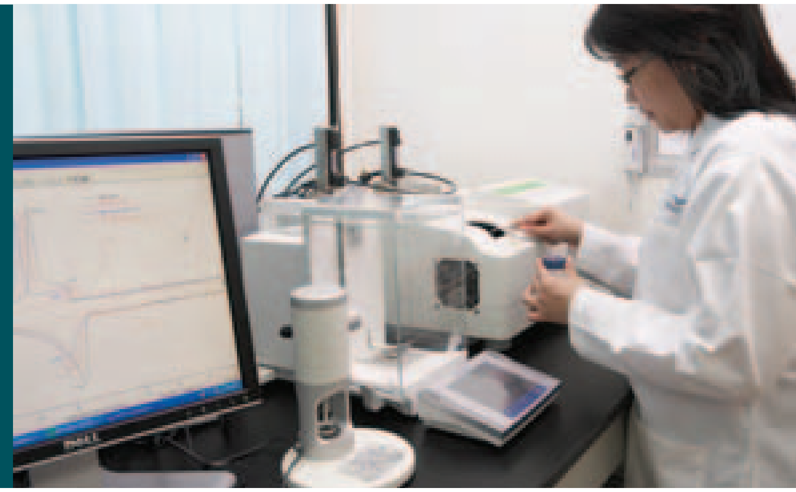
With the negative news surrounding trans fat and its link to cardiovascular disease, the Group focuses on developing trans fat-free or low trans fat baking and frying shortenings, as well as other forms of cooking fats such as creaming fats, filling fats and coating fats to offer healthier options to consumers.

New variations of specialty fats products are constantly being developed to offer the best possible solutions to customers. In addition, continuous evaluation is done on various specialty fats products to determine and improve on their quality, for example:

- Frying fats are evaluated on its shelf life, shelf life of fried food, greasiness and crispiness of fried food as well as foaming effect of the fat;
- Baking fats are evaluated on texture, volume, structure and taste;
- CBS, CBE and CBR are evaluated on taste, shrinkage, demoulding and effects of using different percentages; and
- Ice-cream fats are evaluated on creaminess, meltdown, taste and volume.

Refining and fractionation

Studies are done on the fractionation process to raise yield, shorten the process time and to achieve special characteristics (for the production of specialty fats ingredients). Research is also done on cost-saving techniques in the refining process through the efficient use of support materials.



Plantations

The Group's R&D activities in relation to it plantations are centred on improving seed variety for higher yield. Progeny studies are also being conducted to further identify parental palms with good combining ability. Currently, the superior seeds are produced for the Group's own use.

Other trials being conducted include:

- Evaluation of the effects of different fertiliser regime on the development of immature palms to determine the optimal application rates;
- Use of organic acids and different fertiliser regime on mature palms to improve fertiliser efficiency for optimal palm yield;
- Study on the effects of drip irrigation on the performance of mature palms in the dry region of South Sumatra. This involves a system of irrigation whereby the water is dripped from the irrigation tube;
- Trunk injection with various insecticides for the control of leaf-eating caterpillars; and
- Tests on cultural and biological methods for the control of oryctes beetle.

In addition, the Group collaborates with other agencies, such as the Potash and Phosphate Institute (South East Asian Programme), on best management practices to achieve maximum economic yield.

Biodiesel

Wilmar's biodiesel R&D effort involves developing competitive low pour point biodiesel using different processes, additives and alternative feedstock. There is also on-going development of value-added products using glycerin, a by-product of biodiesel production. Wilmar is also working on other biofuels and alternate biomass.

Fertiliser

The R&D activities undertaken are:

- Effect of NPK compound fertiliser on the growth and yield of food crops (rice and maize) and horticulture products (citrus, etc).
- Evaluation on the impact of Wilmar's own brand of NPK compound fertiliser, on yield compared to the usage of traditional straight fertilisers. The yield component includes production of fresh fruit bunches and oil extraction rate. Early results have shown that by using Wilmar's NPK compound, the growth and yield of palms are significantly improved and are better than using straight fertilisers.

AWARDS

Over its years in operation, Wilmar consistently sets high standards and strives for improvement in every area of its business. As a result, it has received numerous awards, certifications and commendations from various organisations. Some recent awards received are:

Plantations

- Green Gold Label Certificate from Control Union Certifications (The Netherlands) – awarded to Wilmar for Chain of Custody and Processing Standards in January 2007. The certification indicates that the crude palm oil from Wilmar's plantations and used by its refineries in producing refined products, are sustainably produced and traceable for the entire production process and chain.

- ISO 9001 : 2000 and ISO 14001 : 2004 – awarded to Wilmar's plantation company, PT Asiatic Persada Group by SGS Systems and Services Certification Pty Ltd (Australia).

- Zero Accident Award from the Ministry of Labour and Transmigration of Indonesia – awarded to three of Wilmar's plantation companies in South Sumatra (PT Tania Selatan, PT Buluh Cawang Plantations and PT Musi Banyuasin Indah). This award is a commendation on the plantation companies' safety and health programmes which resulted in zero accidents for the period 1 January 2005 to 30 November 2006.

Merchandising and refinery

- Primaniyarta Export Award 2006 from the Indonesian Government for Best Performing Exporter in the category of Foreign Capital Investment Company, product from natural resources – awarded to Wilmar's subsidiary, PT Multimas Nabati Asahan.

Others

- Wilmar's house brand, Sania cooking oil, was ranked No. 3 in July 2006 in the Indonesian Best Brand Survey 2006. The survey criteria included brand awareness, customer satisfaction and loyalty, and market share, among others.

Primaniyarta Export Award 2006


WILMAR'S OPERATIONS
Plantation
Palm Oil Mill
Refinery & Palm Kernel Crushing
Copra Crushing
Specialty Fats
Fertiliser Manufacturing
Biodiesel
Kota Baharu
Banda Acheh
George Town
MALAYSIA
Medan
Rantauprapat
Dumai
Pekanbaru
Rengat
Padang
Sumatra
Jambi
Belinyu
Bangka
Palembang
Toboali
Lubuklinggau
Bengkulu
Tanjungkarang-Telukbetung
Merak
JAKARTA
Bandung
Java
SINGAPORE
Paloh
Pontianak
Kalimantan
Kendawangan
Kumai
INDONESIA
BRUNEI
Sabah
Kunak
MALAYSIA
Samarinda
Manado
Kotamobagu
Palu
Luwuk
Sulawesi

Wilmar seeks to attract and retain employees who are able, honest and driven, through competitive compensation packages and excellent career development opportunities. It believes in creating a conducive and inspiring working environment to bring out the full potential of every employee.

While individual achievements are applauded, teamwork is accorded greater value as the Group firmly believes that the success of an organisation comes from the efforts of a team. In this respect, Wilmar's staff are strongly encouraged to work as part of a bigger team towards the common goal of enhancing the financial performance and reputation of the Group.

STAFF TRAINING AND DEVELOPMENT

Wilmar's staff training and development programmes are targeted at employees at every level and in every location. It views continuous staff education and development as necessary and beneficial to the Group as employees are armed with the relevant knowledge and skills to meet challenges of the business environment.

Staff training, whether conducted in-house or through participation in public seminars and workshops, include technical skills upgrade, supervisory skills development, managerial and leadership training, corporate culture and values, work ethics, management trainee programmes, quality control, problem-solving and International Standards Organisation (ISO) certification training. At the Group plantations, training centres are established and managed by skilled and experienced in-house trainers. This facilitates attendance by staff to achieve higher technical competency levels.

To keep up with industry trends, staff attend annual international conferences relating to the edible oils industry. These are platforms for experts and industrialists to discuss the trends and developments of the edible oils industry and markets.

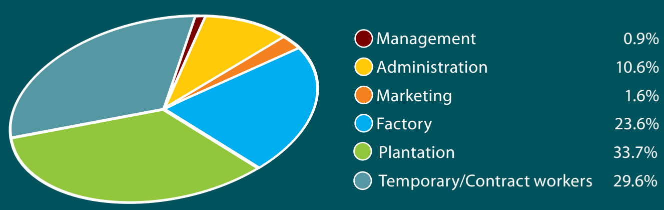
Wilmar also provides career development opportunities through job rotation within and between functional units, enabling staff to broaden their skills set and knowledge base, and exposing staff to different roles and responsibilities. Staff are offered inter-departmental transfer, short-term overseas assignments or long-term overseas postings to the Group's various business units.

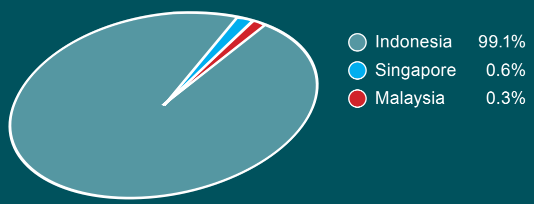
SAP/IT TRAINING

The Group has embarked on a major drive to implement the SAP Enterprise Resource Planning (ERP) system as the backbone of its information technology (IT) infrastructure. Heavy emphasis is placed on training the users and IT staff on SAP system, communications networking and relevant software and hardware architecture. Key users and IT staff are regularly redeployed and sent for short assignments to assist in new implementation projects.

Workforce as at 31 December 2006

Total number of employees 23,313





PERFORMANCE ASSESSMENT

All operating units within Wilmar are assessed by Key Performance Indicators (KPIs). For each operating unit, different and specific performance evaluation is used. For instance, depending on relevance, the unit is assessed on indicators such as capacity utilisation, yield and sales volume. Employees' incentives and bonuses are calculated based on the KPI results of their respective units as well as on individual performance. With the KPI system, employees are able to keep track of their performance on a monthly basis and are rated accordingly.

STAFF COMMUNICATION AND WELFARE

The Group takes a keen interest in developing a conducive working and living environment for its employees. It has several on-going initiatives to promote internal communication and develop a sense of community living.

At the Indonesian plantations, the Group fosters community spirit through monthly get-together lunches and sports activities, among others. Facilities for tennis, badminton, volleyball and table-tennis are provided to encourage participation. In addition, there are annual sports competitions between the various plantations. The Group also conducts half-yearly organisation effectiveness surveys to gather feedback from employees.

Employees in the factories look forward to the annual Family Gathering Day where management, staff and their families celebrate familial ties, whether it is the corporate family or between relatives. There are also celebrations to mark the Company's Anniversary Day and significant festive occasions.

The quarterly in-house publication, the *Jendela*, is a valuable communication tool to keep employees informed of events in the corporate head office and the various units.

Whether through recreational or social events, these activities foster team building and employee networking.

The commitment, dedication and loyalty of its employees have contributed significantly to the Group's success over the years, and it is this strong partnership between management and staff that will continue to play a crucial role in Wilmar's development and expansion into Asia's leading agribusiness group.

	2003	2004	2005	2006
No. of Employees	14,822	14,880	20,123	23,313

As a major edible oils producer and merchandiser, Wilmar's long-term business success is closely linked to the well-being of the communities and environment it operates in. The Group sets stringent corporate social responsibility (CSR) policies and procedures to guide its business managers in their investment decisions and daily operations.

As developing a comprehensive CSR framework is a dynamic and on-going process, the Group regularly engages and consults with stakeholders and other interested parties on environmental and social issues.

ENVIRONMENT SUSTAINABILITY

The Group considers environmental protection and enhancement to be important factors in the conduct of its operations. Its plantations and processing plants adhere strictly to the local environmental and plantation development regulations as well as to internationally recognised best practices. These include:

Zero burning in land clearing

Wilmar adheres strictly to the policy of zero burning. Zero burning not only keeps the air pollution-free but yields several benefits as well. The remnant debris comprising bushes or small trees which are felled are left to biodegrade, releasing nutrients slowly, thus adding valuable organic matter to the soils, reducing the use of fertilisers during planting period and lowering carbon dioxide emission.

Approved land use

Wilmar is committed to only developing plantations on land which is approved by the government for the cultivation of oil palms.

Maintain soil fertility

To maintain soil fertility, best management practices are implemented. These include minimising soil erosion by establishing legume cover crops during planting and terracing in hilly terrain, allowing organic matter levels to be built up in the soil through frond placement and empty fruit bunch mulching, judicious and discriminatory fertiliser application and the use of appropriate equipment to minimise soil compaction.

Integrated pest management

To increase efficiency and reduce environmental impact, Wilmar adopts an integrated pest management approach which emphasises cultural control, biological control, and monitoring and census system. The use of safe and approved pesticides is kept to a minimum and as a last resort. Understanding the pest's life cycle and its natural enemies is also part of integrated pest management.

Optimise fertiliser use

Dependence on inorganic fertilisers is reduced through nutrient recycling from utilisation of processing waste or by-products. Empty fruit bunches are recycled back to


the fields for mulching. Palm oil mill effluent is used to irrigate the palms for irrigational and nutritional benefits. A discriminatory system of fertiliser recommendation is used to ensure optimal palm performance and minimal environmental impact.

Encourage use of renewables

Waste products such as palm kernel shell and mill fibre are used as feedstock for co-generation plants to produce steam and electricity.

Efficient water use

This includes incorporating an efficient land application of palm oil mill effluent system, minimising use of water in processing mills and harvesting fresh water and rainfall.

Waste treatment

All processing plants have waste treatment equipment and system in place. Internal environmental personnel monitor compliance with environmental standards and identify opportunities for continuous improvement.

COMMUNITY WELFARE

Wilmar is committed to contributing to the local communities in which it operates by providing opportunities for residents to carve a livelihood for themselves to raise their economic and social well-being.

Wilmar's efforts in the larger communities include programmes to promote the health and welfare of the resident population. Wilmar is committed to making improvements to the physical environment such as the construction of roads, bridges and places of worship as well as providing the necessary funds for their repairs and upkeep.

Believing that the education of children is necessary for the progress of a community, Wilmar subsidises the recruitment of teachers for schools in the areas.

For its plantation workers, Wilmar provides infrastructure and amenities such as polyclinics, community halls, crèches, schools, places of worship and recreational facilities.

As a participant of the Plasma Programme, a project designed to assist small landholders to become independent plantation growers in Indonesia, Wilmar helps the small landholders to develop good quality oil palm plantations and work hand-in-hand with them to ensure that the plantations are efficiently managed. Wilmar is also committed to purchase all the fresh fruit bunches produced by them.

PRO-ACTIVE PARTICIPATION IN SUSTAINABLE PALM OIL

Wilmar is a member of the Roundtable on Sustainable Palm Oil (RSPO), a multi-stakeholder association to promote the use and production of sustainable palm oil. Apart from plantation growers, the membership comprises processors, traders, consumer goods manufacturers, retailers, banks, investors and environmental and social non governmental organisations.

As a grower, Wilmar is a participant in a two-year trial implementation project till November 2007 to field-test and review a set of principles and criteria for sustainable palm oil production before subsequent adoption as the RSPO standard for sustainable palm oil production.

As a member of its Verification Working Group, Wilmar is also tasked to develop a verification procedure and protocol for the RSPO principles and criteria.

Wilmar collaborates with other interest groups on issues such as conservation of natural resources as well as biodiversity in plantation development or operations. For example, Wilmar has entered into a Memorandum of Understanding with the Zoological Society of London to support its research on the conservation of endangered species in and around the oil palm plantation owned by one of its plantation companies in the province of Jambi, Sumatra.

In addition, Wilmar is a member of GAPKI (Indonesian Palm Oil Producers' Association) which is a private sector initiative to promote sustainable palm oil production and present a unified stand on issues facing the industry, such as security and interpretation of RSPO principles and criteria to local Indonesian context.

As part of its initiatives to benchmark compliance with the RSPO principles and criteria and other standards on sustainable palm oil production, Wilmar participates in evaluations and audits on its environmental and social (E+S) performance. These include the following:

- In May 2005, Rabobank commissioned an E+S audit in two of Wilmar's plantations and mills in West and South Sumatra according to the Rabobank Code of Conduct and the Draft RSPO principles & criteria. It was found that Wilmar's plantation and mill operations were in general compliance with both standards.

- In May 2006, three E+S experts from the International Finance Corporation (IFC) visited Wilmar's plantations and mills in South Sumatra and West Kalimantan to assess its E+S management and performance. They reported that the Group's Indonesian plantation and mill operations that were physically evaluated appeared to be managed appropriately, in line with best international practice. Overall, social and occupational health

and safety performance met applicable IFC guidelines. Corporate labour policies and practices followed, and in many areas exceeded, national legal requirements. Corporate relations with the community, government, Plasma cooperatives, and other stakeholders were strong.

- In November and December 2006, Control Union Certifications (The Netherlands) conducted a chain of custody audit on Wilmar's plantations, mills, refineries and bulk storage facilities in Indonesia. The audit was commissioned by Essent, a Netherlands-based power company. The findings indicated that crude palm oil from Wilmar's plantations and used by its refineries in producing refined products, were sustainably produced and traceable for the entire production process and chain. As a result of the study, a Green Gold Label Certificate for Chain of Custody and Processing Standards was awarded to Wilmar in January 2007.

- In January 2007, Wilmar commissioned a Verification Audit on its compliance to the RSPO principles and criteria in six Indonesian provinces to benchmark its overall E+S performance. This verification audit will enable the Group to further enhance its E+S management vis-à-vis the RSPO principles and criteria, and make continuous improvement.

CHALLENGES AHEAD

In striving to be a good corporate citizen, Wilmar will continue to face challenges to ensure that the projects under its CSR framework are relevant and beneficial. In its community development programmes, the Group will continue to identify and address priority community needs – to establish an atmosphere of trust and confidence amongst the relevant stakeholders. In addition, it will look into ways to enhance the multiplier effect of the community development programmes through participatory techniques and methodologies.

On environment care and conservation, the main challenge will be to reduce the environmental footprints of the Group's operations. Similarly, it will study ways to enhance and conserve natural resources and biodiversity in existing plantation lands.

Fully aware that resources are not unlimited, Wilmar has set its sights on the following priority areas:

- Internalise the RSPO principles and criteria into its Standard Operating Procedures;
- Collaborate with key agencies to address issues on conservation of natural resources as well as biodiversity in plantation development or operations, within the RSPO framework;
- Collaborate with relevant research organisations on best management practices in oil palm cultivation;
- Make continuous improvement in enhancing its E+S performance; and
- Establish third-party verification for Wilmar's operations according to the RSPO principles.

OVERVIEW

The management of risk is key to the Group's financial soundness and integrity, and risk evaluation forms an integral part of its business strategy development.

Risks must be identified, measured, monitored and managed within a robust framework, and returns must commensurate with the risks taken. Wilmar has an experienced risk management team which identifies, measures, manages and controls risks, including exposures to prices of commodities, foreign currency exchange rates, interest rates and credit.

MARKET AND CREDIT RISKS

As a result of its global operating and financing activities, the Group is exposed to various types of market and credit risks, including changes in commodity prices, foreign currency exchange rates and interest rates.

COMMODITY PRICE RISK

The prices of agricultural commodities are determined by factors such as weather, government policies, global demographic changes and competition from substitution products.

When sourcing raw materials and selling the manufactured outputs, the Group is exposed to price fluctuations in the commodities markets because the sale and purchase commitments do not normally match at the end of each business day. Wilmar generally uses forward physical and/or exchange traded commodity futures contracts to manage such risks.

FOREIGN EXCHANGE RISK

Foreign exchange risk refers to the exposure arising from movements in foreign currency exchange rates.

The majority of Wilmar's products are exported and quoted in USD, while local sales and costs of operation, purchases of raw materials in Indonesia and Malaysia are mainly denominated in the local currency.

Fluctuation in currency exchange rates will result in foreign currency exchange gains or losses arising from translations of foreign currency monetary assets and liabilities to USD as at the balance sheet dates.

The Group manages its foreign currency exposures by constructing natural hedges when it matches sales and purchases in any single currency or through financial instruments, such as foreign currency forward exchange contracts. The primary purpose of the foreign currency forward exchange contract is to protect against the volatility associated with foreign currency purchases and sales of raw materials and other assets and liabilities created in the normal course of business.

INTEREST RATE RISK

Interest rate risk refers to the exposure on interest rate fluctuation on the Group's working capital financing. Its interest expense may vary depending on the stock holding period assumed at the time of entering into the transaction versus the actual time taken to deliver the physical product and realise the proceeds of sale from the end-customer. The Group uses mainly short-term banking facilities to fund its operations and most of its borrowings are transaction-related.

Consequently, interest expense is dependent on the volume of transactions and the stock holding period, and it is subsequently priced into the products. As such, short-term interest rate movements have minimal impact on the net contribution margin.

For long-term borrowings, Wilmar usually enters into interest rates swap contracts to manage our interest rate risk.

CREDIT RISK

The majority of the Group's sales are export sales, for which it typically requires letters of credit from its customers or cash against the presentation of documents of title. For domestic sales, which are not significant, the Group may grant its customers credit terms from the date of issuance of invoice.

Wilmar evaluates new customers' credit worthiness by considering their financial standing and operating track record, as well as conduct background checks through its industrial contacts. Based on the information obtained, Wilmar will decide on the actual credit terms and limits to be granted. As a practice, it will usually require a letter of credit for sales to new customers.

For existing customers, the Group will review periodically the credit terms granted. It will consider a customer's current financial strength, payment history, transaction volume and duration of its business relationship with the Group. It also monitors the outstanding trade debts to ensure that corrective steps are taken to collect these outstanding debts.

RISK GOVERNANCE

Wilmar's risk governance structure comprises three levels, namely:

- Risk Management Committee at the Board level;
- Executive Risk Committee; and
- Risk management by the head of the merchandising team.

The Board-level Risk Management Committee, chaired by an independent director, oversees the Executive Risk Committee, reviews the overall risk management guidelines/framework, reviews and recommends risk limits, as well as assesses the adequacy and effectiveness of the risk management policies and systems.

The Executive Risk Committee comprises executive directors. Its responsibilities include, amongst others, the monitoring and improvement of the overall effectiveness of its risk management system, the review of trade positions and limits to manage its overall risk exposure.

The Head of Merchandising is responsible for monitoring the merchandising team, as well as adherence with the trading policies and limits set by the Risk Management Committee and the Board.

To ensure proper segregation of authority and responsibility to achieve effective governance and oversight, the Group has a Middle Office independent of the Front and Back Office. The Middle Office is responsible for the capture and measurement of Group-wide risks, as well as for monitoring limit breaches. The Middle Office circulates a daily risk exposure report, which is reviewed by the Executive Risk Committee for any significant risk issues. The Middle Office also sends out regular risk alerts to the merchandising team, Executive Risk Committee and/or the Risk Management Committee when risk exposure is seen to be reaching trigger levels.

The documented risk management policy clearly defines the procedures for monitoring, controlling and reporting risk in a timely and accurate manner. Wilmar has also put in place overall risk tolerance threshold recommended by the Risk Management Committee and approved by the Board.

The risk tolerance threshold refers to the maximum potential loss if all unsecured trading and operations across all products and geographical regions materialise at the same time. The risk tolerance threshold is based on a percentage of total shareholders' funds, and/or the budgeted annual operating profit, after taking into account, inter alia, the Board's view on the overall production capacity of refining and processing operations, the prices (and price trend) of raw materials, its overall view of the market upon which trading activities take place, the track record of management in managing its risk exposures in the prior period, and the financial budgets including projected sales volumes and turnover.

RISK MANAGEMENT REVIEW

To further improve the Group's risk management process, an independent consultant, Deloitte & Touche Enterprise Risk Services Pte Ltd, was engaged to review the risk management framework of the Group's palm oil-related trading activities to identify gaps and recommend appropriate improvements.

Recommendations were made by the consultant to strengthen the risk management process, including improvements on certain documentation, such as formalising certain reports, reporting structure and policies. Wilmar has implemented these recommendations where necessary.

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.

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 Khoon 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.

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 Khoon 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.

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 Phuay 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;

- 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$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2006 US$'000	Aggregate value of all Interested Person Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)* 2006 US$'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$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2006 US$'000	Aggregate Balances As at 31 December 2006 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.

Corporate Headquarters, Singapore

Financials

Financial Review

OVERVIEW

Wilmar International Limited, formerly known as Ezyhealth Asia Pacific Ltd, was transformed into one of Asia's largest integrated agribusiness groups when it completed the acquisition of the palm oil and related assets from Wilmar Holdings Pte Ltd (the reverse takeover) in July 2006 and an equity placement exercise in August 2006.

The financial year 2006 marked its maiden year of reporting as Wilmar International Limited. It recorded a strong set of results with net profit after tax of US$104.6 million, a sharp 80.2% jump over the previous year. This resulted in earnings per share of 4.51 US cents, a 68.9% increase.

The results included a US$14.3 million accounting charge for goodwill arising from the reverse takeover in July 2006. Included in FY2006 results is an accounting gain (before tax) of US$17.4 million arising from the fair valuation of its plantations. In accordance with FRS 41, biological assets are measured at each balance sheet date at their fair value less estimated point of sale costs.

The strong financial results together with new equity from its placement exercise strengthened the Group's shareholders' funds to US$584.8 million. In addition, return on average equity for FY2006 was a respectable 24.6%.

The Group announced on 14 December 2006, the proposed merger with Kuok Group's palm plantations, edible oils, grains and related businesses in a deal amounting to US$2.7 billion, as well as the acquisition of its parent company, Wilmar Holdings Pte Ltd's edible oils, grains and related businesses, including interests held by ADM, in a deal worth US$1.6 billion. These transactions are expected to complete by the end of June 2007.

EARNINGS

Earnings increased as a result of significantly improved performance in the Merchandising and Refinery of Palm and Laurics, as well as the Plantations and Palm Oil Mills segments.

Growth in sales and production volume as well as higher palm prices were the main reasons for the strong performance of these business segments.

Increased demand for palm was created by the anticipated rise in demand for renewable energy, whilst increasingly affluent countries like India and China continue to fuel the demand for palm oil for edible use. With higher demand for palm and higher crude and mineral oil prices, palm oil prices in FY2006 were much firmer.

Apart from the positive external factors, the Group's performance was also aided by higher production yield in its plantations and the completion of its capacity expansion in milling and refinery facilities.

Segment analysis

The Group is primarily involved in palm oil and related businesses, with integrated business operation ranging from oil palm cultivation and milling to the refining, processing, branding, merchandising and distribution of a wide range of palm and lauric oils, and related products. In addition, it is also engaged in the merchandising of non-palm oil related products such as soya bean, soya bean meal, crude soya oil and other grains. The principal activities of the Group can be analysed in the following segments:

- Merchandising and refinery
- Plantations and palm oil mills
- Others

	FY2006 US$'million	**FY2005 US$'million**
Revenue		
– Merchandising and Refinery	5,178	4,582
Palm and laurics and others	*3,412*	*2,653*
Soya bean and soya bean meal	*1,766*	*1,929*
– Plantations and Palm Oil Mills	401	268
– Others	197	191
Elimination of intersegment sales	(474)	(390)
	5,302	**4,651**
Profit before tax		
– Merchandising and Refinery	92	47
Palm and laurics and others	*85*	*45*
Soya bean and soya bean meal	*7*	*2*
– Plantations and Palm Oil Mills	54	23
– Others	3	4
Unallocated *	(14)	-
	135	**74**

* refers to write-off of goodwill arising from the reverse takeover of Ezyhealth Asia Pacific Ltd.

Merchandising and Refinery segment registered a 13.0% increase in revenue over the past year as a result of higher palm and laurics sales, partially offset by lower sales of soya bean and soya bean meal.

Palm and laurics recorded a 28.6% growth in revenue owing to higher demand for palm, firmer weighted average selling prices as well an increase in production capacity.

Financial Review

Volume Growth in Palm and Laurics

	FY2006	FY2005
Sales volume (‘000 metric tonnes)	8,100	6,571
Production volume (‘000 metric tonnes)	6,065	4,974

Earnings for merchandising and refinery of palm and laurics included a hedging gain of US$9.5 million in respect of biodiesel as the hedging activities did not qualify as accounting hedge under FRS 39. Excluding this gain, profit before tax of US$75.5 million almost doubled that of the past year, helped by volume growth and improved operating margins.

Merchandising of soya bean and soya bean meal, which generated fixed margins of US$1.00 per metric tonne in FY2006 as compared to US$0.25 per metric tonne in FY2005, recorded lower revenue, mostly due to lower weighted average prices. Profits were higher with the upward revision in the fixed margins.

With higher crop yield in FY2006 (from 18.2 metric tonnes per mature hectarage in FY2005 to 21.2 metric tonnes) and firmer selling prices, **Plantations and Palm Oil Mills** was a key contributor to FY2006’s strong financial performance.

Volume growth was further achieved through increased milling capacity, resulting in increased production of crude palm oil and palm kernel.

Plantation and Palm Oil Mills Production Volume

	FY2006	FY2005
FFB Production (metric tonnes)	995,194	816,558
Mill Production		
Crude Palm Oil (metric tonnes)	831,420	677,033
Palm Kernel (metric tonnes)	196,709	157,798

Supported by all these positive factors, plantations more than doubled its earnings to a profit before tax of US$54.5 million in FY2006 compared to US$23.2 million in FY2005.

Others – This segment includes income from the manufacture and sale of fertilisers as well as from shipping activities, both of which complement and support the Group’s business.

BALANCE SHEET

The Group, as a large scale merchandiser and processor of agricultural products, has been making long-term and well-timed investments at strategic locations, enabling it to build a fully integrated business model.

With a strong set of financial performance and a successful equity placement exercise which raised approximately US$180.7 million, the Group’s net assets more than doubled from US$279.7 million at 31 December 2005 to US$606.7 million at 31 December 2006. Accordingly, net asset value per share improved from 12.85 US cents to 23.95 US cents.

At 31 December 2006, total assets was higher at US$1.8 billion as a result of fixed assets growth and higher current assets, (mainly receivables and stocks) due largely to expansion in the Group’s refinery and milling capacity, and acquisition of plantations in Indonesia. Refinery capacity increased by 38% and fractionation capacity increased by 39% whilst milling capacity increased by 25%.

Working capital at 31 December 2006 was a negative US$46.7 million mainly due to short-term funding of long-term assets and high working capital requirements.The Group does not view the imbalance between short-term and long-term borrowings as a cause for concern with the current ratio at 0.96x which is only slightly below 1x, largely because it is confident that it will be able to meet its funding needs from external borrowings and internally generated funds. Net cashflow from operations contributed an inflow of US$99.7 million in FY2006, which was a vast improvement over FY2005's outflow of US$52.5 million. The liquidity risk is also mitigated by support from its bankers in terms of raising debt, and this is evident from its significant banking facilities amounting to US$1.4 billion of which US$681.4 million was not utilised at end December 2006. Nevertheless, it is reviewing the financing structure with a view to optimising the debt structure and this will be done in conjunction with the proposed merger and acquisition announced in December 2006.

The Group's working capital requirements is inherently high owing to the nature of the business i.e.

- Main product sales are agricultural-based commodities whose prices have risen in recent years
- Raw materials are also commodity-based which amount to more than 90% of the costs of sales
- Quick turnaround of the processing operations, resulting in efficient utilisation of the production capacity
- High volume of turnover.

The high working capital is however mitigated by a short working capital cycle which has been consistently kept within a month on the average.

Whilst total borrowings increased from US$689.7 million to US$759.6 million as a result of investments and higher working capital due to expansion, net gearing ratio improved sharply to 1.2x as at 31 December 2006 because of the stronger balance sheet.

USE OF PROCEEDS FROM PLACEMENT OF SHARES

Net proceeds received from the equity placement exercise of 356.25 million of shares amounted to US$172.6 million. During the year, more than half of these proceeds have been applied towards capital expenditure, and the rest, for general working capital.

Proceeds for capital expenditure were used in the following ways:

- New palm oil mills and acquisition of new plantations – US$43.8 million
- Expansion in refinery capacity – US$28.0 million
- Biodiesel – US$14.3 million and others – US$9.1 million.

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Wilmar International Limited ("the Company") and its subsidiaries (collectively, "the Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2006.

DIRECTORS

The directors of the Company in office at the date of this report are:

Kuok Khoon Hong	(appointed on 24 March 2006, re-designated on 14 July 2006)
Martua Sitorus	(appointed on 14 July 2006)
Chua Phuay Hee	(appointed on 24 March 2006, re-designated on 14 July 2006)
Teo Kim Yong	(appointed on 14 July 2006)
William Henry Camp	(appointed on 31 October 2006)
Yu Hung Yen Stephen *	(appointed on 31 October 2006 as alternate to William Henry Camp)
Yeo Teng Yang	(appointed on 14 July 2006)
Leong Horn Kee	
Tay Kah Chye	(appointed on 14 July 2006)
Kwah Thiam Hock	(appointed on 14 July 2006)

* appointed as director on 14 July 2006 and resigned on 31 October 2006.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and its related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct Interest		Deemed interest	
	As at 1.1.06 or date of appointment or completion date of reverse takeover offer	**As at 31.12.06**	**As at 1.1.06 or date of appointment or completion date of reverse takeover offer**	**As at 31.12.06**
COMPANY				
Wilmar International Limited				
(Ordinary shares)				
Kuok Khoon Hong	–	–	2,075,000,000	2,075,000,000
Martua Sitorus	–	–	2,075,000,000	2,075,000,000

The interests in shares of the Company as at 21 January 2007 held by the above-mentioned directors were the same as those as at 31 December 2006.

IMMEDIATE HOLDING COMPANY				
Wilmar Holdings Pte Ltd				
(Ordinary shares)				
Kuok Khoon Hong	–	–	113,233,476	113,233,476
Martua Sitorus	–	–	114,434,660	114,434,660
Teo Kim Yong	999,036	999,036	–	–

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

	Direct Interest		Deemed interest	
	As at 1.1.06 or date of appointment or completion date of reverse takeover offer	**As at 31.12.06**	**As at 1.1.06 or date of appointment or completion date of reverse takeover offer**	**As at 31.12.06**
ULTIMATE HOLDING COMPANY				
Wilmar International Holdings Limited				
(Ordinary shares)				
Kuok Khoon Hong	–	–	11,372,830	11,372,830
Martua Sitorus	–	–	9,080,000	9,080,000
Chua Phuay Hee	–	74,267	–	–
Teo Kim Yong	–	74,267	–	–
RELATED CORPORATIONS				
Technique Holdings Limited				
(Ordinary shares)				
Kuok Khoon Hong	–	–	24,471,415	24,471,415
Martua Sitorus	–	–	24,786,995	24,786,995
Teo Kim Yong	217,578	217,578	–	–
Citicore Holdings Limited				
(Ordinary shares)				
Kuok Khoon Hong	2,635	2,635	28,919	28,919
Martua Sitorus	2,635	2,635	26,351	26,351
Twinkey Investments Limited				
(Ordinary shares)				
Kuok Khoon Hong	–	–	422,500	422,500
Martua Sitorus	–	–	327,500	327,500
Teo Kim Yong	2,500	2,500	–	–
Palm Grove Developments Limited				
(Ordinary shares)				
Kuok Khoon Hong	1,175	1,175	44,925	44,925
Martua Sitorus	–	–	35,294	35,294

Mr Kuok Khoon Hong and Mr Martua Sitorus, by virtue of their interests of not less than 20% of the issued share capital of the ultimate holding company, Wilmar International Holdings Limited ("WIHL"), are deemed to have an interest in the entire issued share capital of the subsidiaries of WIHL pursuant to Section 7 of the Companies Act Cap. 50.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of the completion of the Reverse Takeover Offer, or date of appointment, whichever is later, or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company who held office at the end of the financial year has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

MATERIAL CONTRACTS

In December 2006, the Company entered into a conditional sale and purchase agreement with Wilmar Holdings Pte Ltd ("WHPL") for the acquisition of all its interests in its subsidiaries and its associated companies ("Proposed WHPL Acquisition") that the Company does not already own. Save as aforementioned, there were no material contracts of the Group and of the Company involving the interests of each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

SHARE OPTIONS

The Company's Executives' Share Option Scheme ("ESOS") which was approved and adopted at the Company's annual general meeting held on 30 June 2000 continues to remain in force after the completion date of the Reverse Takeover Offer ("RTO").

The Remuneration Committee administers the ESOS and the members are Mr Kwah Thiam Hock (Chairman), Mr Kuok Khoon Hong, Mr Yeo Teng Yang and Mr Leong Horn Kee, the majority of whom are independent directors.

The ESOS entitles eligible participants to subscribe for ordinary shares in the Company at a price equal to the average of the closing prices of the shares on the SGX-ST on the five trading days immediately preceding the date of the grant of the option ("Market Price") or at a discount to the Market Price (up to a maximum limit of 20%). The number of shares in respect of which options may be granted when aggregated with those granted under any other share option schemes of the Company and for the time being in force, shall not exceed 15% of the issued shares in the capital of the Company on the date preceding the date of the relevant grant.

During the year, all outstanding options to subscribe for 3,850,000 shares in the Company that were carried forward to 1 January 2006 have been exercised and the shares were allotted in March 2006. No options have been granted for the year ended 31 December 2006.

Since the completion of the RTO till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates;
- No eligible participant has received 5% or more of the total options under the ESOS;
- No options have been granted to directors and employees of the holding company and its subsidiaries;
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and
- No options have been granted at a discount.

AUDIT COMMITTEE

The Audit Committee ("AC") members at the date of this report are Mr Tay Kah Chye (Chairman), Mr Kwah Thiam Hock and Mr Yeo Teng Yang.

The AC performs the function specified by Section 201B(5) of the Companies Act, Chapter 50, the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"), and the Code of Corporate Governance.

The principal responsibility of the AC is to assist the Board of Directors in fulfilling its oversight responsibilities. 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.

AUDIT COMMITTEE (cont'd)

Since the completion of the RTO in July 2006, the AC met twice to review, inter alia, the scope of work and strategies of both the internal and external auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The AC also reviewed the assistance given by the Company's officers to the auditors. The financial statements of the Group and the Company were reviewed by the AC prior to the submission to the directors of the Company for adoption. The AC also met with the external and internal auditors, without the presence of management, to discuss issues of concern to them.

The AC has, in accordance with Chapter 9 of the Listing Manual of the SGX-ST, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the procedures set up by the Group and the Company to identify and report and where necessary, seek approval for interested persons transactions and, with the assistance of the internal auditors, reviewed interested persons transactions.

The Board had commissioned Deloitte & Touche Enterprise Risk Services Pte Ltd to conduct a risk management audit on the Group and report its findings to the Board. The AC has reviewed the risk management procedures of the Group, including the findings on the risk management audit conducted by Deloitte & Touche Enterprise Risk Services Pte Ltd and submitted the findings to the Board. Recommendations were made by the consultant to strengthen the risk management process, including improvements on certain documentation, such as formalizing certain reports, reporting structure and policies. The Group has implemented these recommendations where applicable.

The AC was satisfied that proper risk management procedures were in place. It will consider regularly the need to conduct independent risk management reviews and disclose their decision and results of such reviews conducted to shareholders and the Singapore Exchange.

The AC was satisfied with the independence and objectivity of the external auditors and has nominated Ernst & Young for re-appointment as auditors of the Company for the forthcoming Annual General Meeting.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

AUDITORS

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board

Kuok Khoon Hong
Director

Chua Phuay Hee
Director

Singapore
19 March 2007

Statement by Directors

We, Kuok Khoon Hong and Chua Phuay Hee, being two of the directors of Wilmar International Limited, do hereby state that, in the opinion of the directors,

(a) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006, and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board

Kuok Khoon Hong
Director

Chua Phuay Hee
Director

Singapore
19 March 2007

Independent Auditors' Report

To the Members of Wilmar International Limited

We have audited the accompanying financial statements of Wilmar International Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 64 to 124, which comprise the balance sheets of the Group and the Company as at 31 December 2006, the statements of changes in equity of the Group and the Company, the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion,

(i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
19 March 2007

Consolidated Profit and Loss Account

for the financial year ended 31 December 2006

	Note	2006 US$'000	2005 US$'000
Sales	4	5,301,632	4,651,560
Cost of sales	5	(4,815,345)	(4,215,625)
Gross profit		486,287	435,935
Net gains arising from changes in fair value of biological assets		17,352	1,693
Other operating income	6	21,560	13,553
Selling and distribution expenses		(263,147)	(287,813)
Administrative expenses		(37,030)	(24,841)
Other operating expenses	7	(20,632)	(4,627)
Finance costs	8	(69,122)	(60,415)
Share of results of associates		133	47
Profit before tax	9	135,401	73,532
Tax expense	10	(29,087)	(14,914)
Profit for the year		106,314	58,618
Attributable to:			
Equity holders of the Company		104,612	58,049
Minority interests		1,702	569
		106,314	58,618
Earnings per share (US cents)	11	4.51	2.67

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2006

		Group		Company	
	Note	**2006**	**2005**	**2006**	**2005**
		US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current assets					
Property, plant and equipment	12	460,300	365,811	–	183
Investment securities	13	44	38	–	205
Investments in subsidiaries	14	–	–	552,244	2,345
Investments in associates	15	9,038	606	–	–
Plasma investments	16	11,109	10,727	–	–
Biological assets	17	223,542	154,932	–	–
Intangible asset	18	34,587	34,587	–	–
Other receivables	19	35,650	19,341	16,000	–
Deferred tax assets	10	5,423	2,634	–	–
		779,693	588,676	568,244	2,733
Current assets					
Inventories	20	366,810	288,938	–	–
Trade receivables	21	558,176	390,243	–	75
Other receivables	19	83,512	274,653	403,215	1,279
Derivative financial instruments	22	11,401	6,958	–	–
Cash and bank balances	23	43,980	19,512	6,465	1,458
		1,063,879	980,304	409,680	2,812
Current liabilities					
Trade payables	24	319,291	165,822	–	55
Other payables	25	62,577	61,101	206,712	2,385
Derivative financial instruments	22	604	414	–	–
Interest-bearing loans and borrowings	26	716,430	621,359	12,000	29
Tax payable		11,717	6,717	35	–
		1,110,619	855,413	218,747	2,469
Net current (liabilities)/assets		(46,740)	124,891	190,933	343
Non-current liabilities					
Other payables	25	23,752	317,335	–	–
Interest-bearing loans and borrowings	26	43,161	68,359	16,000	70
Deferred tax liabilities	10	59,378	48,147	–	–
		126,291	433,841	16,000	70
Net assets		606,662	279,726	743,177	3,006
Equity attributable to equity holders of the Company					
Share capital	27	280,278	62,585	716,417	7,868
Share premium		–	1,792	–	18,716
Reserves		304,564	202,037	26,760	(23,578)
		584,842	266,414	743,177	3,006
Minority interests		21,820	13,312	–	–
Total equity		606,662	279,726	743,177	3,006

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2006

	Note	Share capital US$'000	Share premium US$'000	Accumulated profits US$'000	Foreign currency translation reserve (Note A) US$'000	Total reserves US$'000	Minority interests US$'000	Total equity US$'000
		Attributable to equity holders of the Company						
GROUP								
At 1 January 2005		62,585	1,792	159,372	(115)	159,257	11,511	235,145
Net effect of exchange differences		–	–	–	(2,163)	(2,163)	–	(2,163)
Profit for the year		–	–	58,049	–	58,049	569	58,618
Dividends on ordinary shares	34	–	–	(13,106)	–	(13,106)	–	(13,106)
Acquisition of subsidiaries		–	–	–	–	–	1,232	1,232
At 31 December 2005 and 1 January 2006		62,585	1,792	204,315	(2,278)	202,037	13,312	279,726
Net effect of exchange differences		–	–	–	3,915	3,915	–	3,915
Profit for the year		–	–	104,612	–	104,612	1,702	106,314
Dividends on ordinary shares	34	–	–	(6,000)	–	(6,000)	–	(6,000)
Acquisition of subsidiaries and disposal of Ezyhealth		–	–	–	–	–	6,806	6,806
Issuance of ordinary shares pursuant to reverse acquisition	27	43,310	–	–	–	–	–	43,310
Issuance of ordinary shares pursuant to share placement and over-allotment	27	180,678	–	–	–	–	–	180,678
Expenses on issue of ordinary shares	27	(8,087)	–	–	–	–	–	(8,087)
Transfer of share premium reserve to share capital	27	1,792	(1,792)	–	–	–	–	–
At 31 December 2006		280,278	–	302,927	1,637	304,564	21,820	606,662

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Note	Attributable to equity holders of the Company					
		Share capital US$'000	Share premium US$'000	Accumulated (losses)/ profits US$'000	Foreign currency translation reserve (Note A) US$'000	Total reserves US$'000	Total equity US$'000
COMPANY							
At 1 January 2005		7,868	18,716	(19,475)	–	(19,475)	7,109
Loss for the year		–	–	(4,103)	–	(4,103)	(4,103)
At 31 December 2005 and 1 January 2006		7,868	18,716	(23,578)	–	(23,578)	3,006
Profit for the year		–	–	50,338	–	50,338	50,338
Shares arising from exercise of share options	27	121	–	–	–	–	121
Issuance of ordinary shares pursuant to reverse acquisition	27	517,121	–	–	–	–	517,121
Issuance of ordinary shares pursuant to share placement and over-allotment	27	180,678	–	–	–	–	180,678
Expenses on issue of ordinary shares	27	(8,087)	–	–	–	–	(8,087)
Transfer of share premium reserve to share capital	27	18,716	(18,716)	–	–	–	–
At 31 December 2006		716,417	–	26,760	–	26,760	743,177

Note A:
The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2006

	2006 US$'000	2005 US$'000
Cash flows from operating activities		
Profit before tax	135,401	73,532
Adjustments for:		
Fair value changes on biological assets	(17,352)	(1,693)
Fair value changes on derivative financial instruments	(4,253)	(6,544)
Gain on disposal of property, plant and equipment	(2,029)	(83)
Depreciation of property, plant and equipment	35,040	28,699
Property, plant and equipment written off	1,862	–
Negative goodwill taken to the profit and loss account	(1,249)	–
Goodwill arising from reverse acquisition written off	14,304	–
Interest expense	69,122	60,415
Interest income	(11,864)	(10,107)
Share of results of associates	(133)	(47)
Foreign exchange arising from translation	1,305	4,026
Operating profit before working capital changes	220,154	148,198
(Increase)/decrease in inventories	(76,277)	29,122
Increase in receivables and other assets	(168,898)	(73,730)
Increase/(decrease) in payables	179,462	(90,182)
Cash flows generated from operations	154,441	13,408
Interest paid	(48,901)	(60,415)
Interest received	11,864	10,107
Tax paid	(17,719)	(15,577)
Net cash flows from/(used in) operating activities	99,685	(52,477)
Cash flows from investing activities		
Payments for investments in subsidiaries (Note B)	(33,153)	(46,699)
(Increase)/decrease in plasma investments	(382)	1,346
Payments for investments in associates	(7,603)	–
Payments for biological assets	(11,115)	(7,250)
Payments for property, plant and equipment	(149,627)	(94,241)
Payments to minority shareholders for acquisition of shares in subsidiaries	–	(11,192)
Proceeds from disposal of existing business arising from reverse acquisition	3,128	–
Proceeds from disposal of biological assets	30	3,038
Proceeds from disposal of property, plant and equipment	9,505	7,097
Net cash flows used in investing activities	(189,217)	(147,901)
Cash flows from financing activities		
Decrease/(increase) in receivables	2,657	(2,290)
Decrease in net amount due from related parties	–	34,944
Decrease in net amount due to related parties	(94,314)	–
Decrease in net amount due to associates	(2,021)	(5,272)
Decrease in advances from minority shareholders	(663)	(8,948)
Proceeds from interest-bearing loans and borrowings	45,299	105,612
(Decrease)/increase of finance lease liabilities	(15)	15
Decrease/(increase) in fixed deposits pledged with financial institutions for bank facilities	7	(7)
Interest paid	(20,859)	(17,625)
Proceeds from issuance of shares by the Company, net of reverse acquisition expenses	172,590	–
Dividends paid	(6,000)	(13,106)
Net cash flows from financing activities	96,681	93,323
Net increase/(decrease) in cash and cash equivalents	7,149	(107,055)
Cash and cash equivalents at the beginning of year	(101,230)	5,825
Cash and cash equivalents at the end of year (Note 23)	(94,081)	(101,230)

Note B:

During the year, the Group acquired equity interests in the following companies (the "Companies"):

(a) Pacific Rim Palm Oil Limited

(b) KemOleo Pte. Ltd.

The assets and liabilities of the Companies acquired by the Group were as follows:

	Net assets acquired US$'000
Non-current assets	
Property, plant and equipment	10,862
Biological assets	38,888
Investment in associates	50
	49,800
Current assets	
Inventories	1,595
Receivables	12,240
Other assets	970
Deferred tax assets	884
Cash and bank balances	1,953
	17,642
Current liabilities	
Payables	(12,333)
Tax payable	(322)
Deferred tax liabilities	(4,473)
Interest-bearing loans and borrowings	(7,263)
	(24,391)
Net assets	43,051
Negative goodwill arising from acquisitions	(1,249)
Minority interests	(6,696)
Total purchase consideration satisfied via cash payment	35,106
Less: cash acquired	(1,953)
Payments for investments in subsidiaries, net of cash acquired	33,153

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Wilmar International Limited (the "Company"), formerly known as Ezyhealth Asia Pacific Ltd ("Ezyhealth"), is a limited liability company, which is incorporated in Singapore and publicly traded on the Singapore Exchange.

Pursuant to a conditional put and call option agreement signed between the Company and Wilmar Holdings Pte Ltd ("WHPL") on 23 December 2005, the Company had on 14 July 2006 completed the acquisition of a total of 52 companies ("Acquired Group") from WHPL (Note 2). The consolidated financial statements for the Group is prepared and presented as a continuation of the Acquired Group (the acquirer for reverse acquisition accounting purposes) and accordingly, the comparative figures presented in the consolidated financial statements are those of the Acquired Group.

In the Company's (the legal parent) separate financial statements, the investment in the Acquired Group (the legal subsidiary) is accounted for in accordance with the requirements of FRS 27 "Consolidated and Separate Financial Statements" [Note 3.5 (b)].

With effect from 14 July 2006, the immediate and ultimate holding companies are Wilmar Holdings Pte Ltd and Wilmar International Holdings Limited, which are incorporated in Singapore and the British Virgin Islands, respectively.

The registered office and principal place of business of the Company is located at 56, Neil Road, Singapore 088830.

The principal activities of the Company are those of an investment holding company and provision of management services to its subsidiary companies. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

2. REVERSE ACQUISITION UNDERTAKEN BY THE COMPANY

Pursuant to a conditional put and call option agreement signed between the Company and WHPL on 23 December 2005, the Company had on 14 July 2006 completed the acquisition of the Acquired Group from WHPL for a purchase consideration of S$1,290,000,000 (equivalent to US$775,707,000).

The purchase consideration was satisfied by the allotment and issuance of 21.5 billion new shares in the capital of the Company at S$0.06 per new share. Following the allotment and issuance of these shares, the Company became a 98.8% subsidiary of WHPL.

Concurrent with the acquisition of the Acquired Group, the Company had also completed the disposal of its entire existing business undertaking to Nucourt Media Pte Ltd which marked the exit of the business providing healthcare and medical diagnostics services and health publication and events undertaken by the Ezyhealth group.

During the year, all options to subscribe for 3,850,000 shares in the Company that were outstanding as at 1 January 2006 have been exercised and the shares were allotted in March 2006.

The shares in the Company were consolidated on 19 July 2006 on the basis of one share for every ten shares held by shareholders, fractions being disregarded.

On 7 August and 18 August 2006, the Company further allotted and issued 300 million new shares and 56.25 million new shares (pursuant to an over-allotment option) at S$0.80 per share respectively for cash in connection with the Company's compliance placement exercise.

2. REVERSE ACQUISITION UNDERTAKEN BY THE COMPANY (cont'd)

The acquisition of the Acquired Group has been accounted for in the consolidated financial statements as a reverse acquisition as set out in Note 3.6. For the purpose of reverse acquisition accounting, the cost of acquisition by the Acquired Group (the legal subsidiary) of the Company (the legal parent) is recorded as equity. The cost of acquisition is determined using the fair value of the issued equity of the Company before the acquisition, being 26,170,000 consolidated shares at S$1.10 per share, totalling S$28,787,000 (equivalent to US$17,310,000). It is deemed to be incurred by the Acquired Group in the form of equity issued to the owners of the legal parent.

The Company and its subsidiaries before the acquisition of the Acquired Group being the acquiree for reverse acquisition accounting purposes, contributed accumulated losses amounting to approximately S$39,210,000 (equivalent to US$23,578,000) to the Group during the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except for land and buildings, biological assets, derivative financial instruments and held for trading and available-for-sale financial assets that have been measured at their fair values.

The financial statements are presented in US Dollars (USD or US$) and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

3.2 FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (Annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
INT FRS 107	:	Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108	:	Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	:	Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 FRS and INT FRS not yet effective (cont'd)

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risks. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual periods beginning 1 January 2007.

3.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) ***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 December 2006 was US$34,587,000 (2005: US$34,587,000).

(ii) ***Depreciation of property, plant and equipment***

The cost of property, plant and equipment is depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 20 years. These are common life expectancies applied in the industry. The carrying amount of the Group's plant and equipment at 31 December 2006 was US$219,119,000 (2005: US$164,879,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) ***Income taxes***

The Group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's current tax payable and deferred tax liabilities at 31 December 2006 was US$11,717,000 (2005: US$6,717,000) and US$59,378,000 (2005: US$48,147,000) respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Significant accounting estimates and judgements (cont'd)

(iv) ***Biological assets***

The Group's biological assets are stated at fair value less point-of-sale costs. This requires independent valuer's assessment of the fair value of the biological assets. Changes in the conditions of the biological assets could impact the fair value of the assets. The carrying amount of the Group's biological assets at 31 December 2006 is US$223,542,000 (2005: US$154,932,000).

3.4 Functional and foreign currency

(a) ***Foreign currency transactions***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary.

Differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation are also taken directly to the foreign currency translation reserve until the disposal of the net investment, at which time they are recognised in the profit and loss account. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the foreign currency translation reserve.

(b) ***Foreign currency translation***

The results and financial position of foreign operations are translated into USD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the exchange rate ruling at that balance sheet date; and

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Subsidiaries and principles of consolidation

(a) ***Subsidiaries***
A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(b) ***Principles of consolidation***
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the holding company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

3.6 Reverse acquisition

The acquisition of the Acquired Group on 14 July 2006 as set out in Note 2 has been accounted for as a reverse acquisition and the legal subsidiary (the Acquired Group) is considered the acquirer for accounting purposes. Accordingly, the Group's consolidated profit and loss account, balance sheet, statement of changes in equity and cash flow statement for the year ended 31 December 2005 are that of the Acquired Group's financial statements.

Since such consolidated financial statements represent a continuation of the financial statements of the Acquired Group:

(a) the assets and liabilities of the Acquired Group are recognised and measured in the consolidated balance sheet at their pre-combination carrying amounts;

(b) the retained earnings and other equity balances recognised in those consolidated financial statements are the retained earnings and other equity balances of the Acquired Group immediately before the business combination;

(c) the amount recognised as issued equity instruments in those consolidated financial statements is determined by adding to the issued equity of the Acquired Group immediately before the business combination the costs of the combination of the acquisition (Note 2). However, the equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent (the Company), including the equity instruments issued by the Company to reflect the combination; and

(d) the comparative figures presented in these consolidated financial statements are that of the Acquired Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Reverse acquisition (cont'd)

Consolidated financial statements prepared following a reverse acquisition shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent (the Company). Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria at their fair values as at 14 July 2006. The excess of the cost of the combination over the Acquired Group's interest in the net fair value of those items is recognised as goodwill.

Reverse acquisition accounting applies only in the consolidated financial statements. In the legal parent (the Company's) separate financial statements, the investment in the legal subsidiary (the Acquired Group) is accounted for at cost less accumulated impairment losses in the Company's balance sheet.

3.7 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses. Land and buildings are subsequently revalued on an asset-by-asset basis, to their fair values. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are made annually to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

When an asset is revalued, any increase in the carrying amount is credited directly to the asset revaluation reserve. However, the increase is recognised in the profit and loss account to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit and loss account. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the profit and loss account. However, the decrease is debited directly to the asset revaluation reserve to the extent of any credit balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

- Land and land rights – amortised over the period of leases
- Buildings – 4 to 20 years
- Plant and machineries – 4 to 20 years
- Furniture, fittings and office equipment – 4 to 20 years
- Motor vehicles and trucks – 4 to 8 years

The entire useful life of a vessel from the date the vessel was first put to use is estimated to be 25 years. The remaining useful life of vessels acquired by the Group is determined to be 6 to 13 years.

The cost of construction-in-progress represents all costs, including borrowing costs, incurred on the construction of the assets. The accumulated costs will be reclassified to the appropriate property, plant and equipment account when the construction is completed. No depreciation is provided on construction-in-progress.

Interest on borrowings to finance the construction of property, plant and equipment is capitalised during the period of time that is required to complete and prepare each asset for its intended use. All other borrowing costs are expensed.

Repairs and maintenance are taken to the profit and loss account during the financial period in which they are incurred. The cost of major renovations and restorations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the asset.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Property, plant and equipment (cont'd)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

3.9 Biological assets

Biological assets, which include mature and immature oil palm plantations, are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the profit and loss account. Oil palm plantations are considered mature when 60% of oil palm per block are bearing fruits with an average weight of 3 kilograms or more per bunch. Point-of-sale costs include all costs that would be necessary to sell the assets.

The fair value of the oil palm plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying biological assets. The expected cash flows from the whole life cycle of the oil palm plantations is determined using the market price of the estimated yield of the agricultural produce, being fresh palm fruit bunches, net of maintenance and harvesting costs and any costs required to bring the oil palm plantations to maturity. The estimated yield of the oil palm plantations is affected by the age of the oil palm trees, the location, soil type and infrastructure. The market price of the fresh palm fruit bunches is largely dependent on the prevailing market price of the processed products after harvest, being crude palm oil and palm kernel.

3.10 Plasma investment

Plasma investment comprises accumulated costs and borrowing costs incurred in the development of oil palm plantations under the "Plasma Scheme". Under the "Plasma Scheme", the Group assumes responsibility for developing oil palm plantations to the productive stage using the bank loans provided for this purpose. When a Plasma plantation is completed and ready to be transferred to the plasma landholders, the corresponding bank loans are also transferred to the plasma landholders.

When the carrying amount of the plasma investment is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3.11 Intangible asset – Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Intangible asset – Goodwill (cont'd)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

3.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'other operating expenses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.13 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

3.13 **Financial assets** (cont'd)

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

(a) ***Financial assets at fair value through profit or loss***

Financial assets classified as held for trading (including derivative financial instruments) are classified as financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets classified as at fair value through profit or loss are recognised in the profit and loss account.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

(b) ***Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

(c) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- Cash and bank balances

- Trade and other receivables, including amounts due from subsidiaries, associates, related companies and loans to related companies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 **Financial assets** (cont'd)

(d) ***Available-for-sale financial assets***
The Group classifies its investment securities as available-for-sale financial assets.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses.

3.14 **Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

3.15 **Impairment of financial assets**
The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) ***Assets carried at amortised cost***
If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) ***Assets carried at cost***
If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Impairment of financial assets (cont'd)

(c) ***Available-for-sale financial assets***
If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

3.16 Derecognition of financial assets and liabilities

(a) ***Financial assets***
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired; or
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) ***Financial liabilities***
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Inventories

(a) ***Physical inventories, futures and other forward contracts***
Physical inventories of palm based products, edible oils, oil seeds and other agricultural commodities are valued at the lower of cost and spot prices prevailing at the balance sheet date.

The Group has committed purchase and sales contracts for palm oil and other agricultural commodities that are entered into as part of its manufacturing and sale activities. The prices and physical delivery of the sales and purchases are fixed in the contracts and these contracts are not recognised in the financial statements until physical deliveries take place.

Gains or losses arising from matched non-physical delivery forward contracts and futures contracts of palm based products, soya beans, other edible oils, oil seeds and other agricultural commodities are recognised immediately in the profit and loss account. There forward and futures contracts are entered into as part and parcel of the business of the Group to manage the price risk of its physical inventory.

The Group also enters into commodity derivatives such as futures and options contracts on behalf of its related companies to hedge fluctuations in commodity prices. These commodity derivatives include products such as soya beans and non palm products. The notional principal amounts of the commodity contracts are off-balance sheet items. Any differences resulting from the fair value assessment will be transferred back to its related corporations.

Outstanding forward and futures contracts of palm based products, edible oils, oil seeds and other agricultural commodities are valued at their fair values at the balance sheet date. Where available, quoted market prices are used as a measure of fair values for the outstanding contracts. Where the quoted market prices are not available, fair values are based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar. Unrealised losses arising from the valuation are set off against unrealised gains on an aggregate basis.

(b) ***Other inventories***
Other inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price less the costs of completion and selling expenses.

3.18 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 18 day terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

3.19 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

3.21 Employee benefits

(a) ***Defined contribution plans***

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) ***Employee leave entitlement***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

(c) ***Provision for employee service entitlements***

For certain companies in Indonesia, the Group recognises a provision for employee service entitlements in accordance with Labor Law No. 13/2003 dated 25 March 2003. The provision is based on an actuarial calculation by an independent actuary using the "Projected Unit Credit Method". Actuarial gains or losses are recognised as income or expense when the cumulative actuarial gains or losses exceed 10% of the defined benefit obligation. These gains or losses are recognised over the expected remaining working lives of employees. Past service cost is amortised over the remaining working lives of each employee.

3.22 Leases

(a) ***As lessee***

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) ***As lessor***

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(a) ***Sale of goods***

Revenue from sales arising from physical delivery of palm based products, soya beans, other edible oils, oil seeds and other agricultural commodities is recognised when significant risks and rewards of ownership of goods are transferred to the buyer.

(b) ***Ship charter income***

Revenue from voyage charters is recognised on a time apportionment basis.

(c) ***Interest income***

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

(d) ***Rental and storage income***

Rental and storage income is recognised on a straight-line basis over the lease terms on ongoing leases.

(e) ***Dividend income***

Dividend income is recognised when the right to receive payment is established.

3.24 **Income taxes**

(a) ***Current tax***

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) ***Deferred tax***

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.24 Income taxes (cont'd)

(b) ***Deferred tax*** (cont'd)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) ***Sales tax (GST or VAT)***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.25 Derivative financial instruments and hedging activities

Forward foreign exchange contracts are entered into on behalf of related companies and used to hedge these entities' exposure to foreign currency risks. The notional principal amounts of the forward foreign exchange contracts are off-balance sheet items. The fair values of the forward foreign exchange contracts are recognised in the financial statements. Any realised or unrealised gains and losses will be refunded to or recovered from the related corporations.

The fair values of forward foreign exchange contracts have been calculated using the rates quoted by the Group's bankers to terminate the contracts at the balance sheet date.

4. SALES

	Group 2006 US$'000	Group 2005 US$'000
Sales of palm based products, soya beans, edible oils, oil seeds and other agricultural commodities	5,293,672	4,647,515
Shipping charter income	7,960	4,045
	5,301,632	4,651,560

5. COST OF SALES

	Group 2006 US$'000	Group 2005 US$'000
Cost of inventories recognised as expense – physical delivery	4,658,558	4,085,683
Labour costs and other overheads	157,395	130,468
Net losses on non-physical delivery forward contracts ("paper trades") #	3,923	3,681
Net realised (gains)/losses from futures and options transactions *	(15,776)	174
Net foreign exchange losses/(gains)	11,245	(4,381)
	4,815,345	4,215,625

Net losses relates to the realised losses arising from non-physical delivery forward contracts ("paper trades") entered into for the purpose of managing the price risk of physical inventory.

* Net realised (gains)/losses relates to the realised (gains)/losses arising from futures and options transactions entered into for the purpose of managing the price risk of palm oil and other agricultural commodities.

6. OTHER OPERATING INCOME

	Group 2006 US$'000	Group 2005 US$'000
Interest income		
– from associates	1,277	801
– from related companies	8,392	8,010
– from fixed deposits	814	28
– late interest charge to trade debtors	670	989
– from other sources	711	279
	11,864	10,107
Rental and storage income	508	405
Scrap sales	1,379	773
Sales of spare parts	86	118
Gain on disposal of property, plant and equipment	2,029	83
Bad debts recovered	157	239
Negative goodwill taken to the profit and loss account	1,249	–
Write-back of accounts payables	988	48
Others	3,300	1,780
	21,560	13,553

7. OTHER OPERATING EXPENSES

	Group	
	2006	**2005**
	US$'000	**US$'000**
Research and development costs	–	1,258
Inventories written off	–	1,550
Receivables written off	401	889
Allowance for doubtful receivables	506	12
Allowance for inventories	19	–
Goodwill arising from reverse acquisition written off	14,304	–
Others	5,402	918
	20,632	4,627

8. FINANCE COSTS

	Group	
	2006	**2005**
	US$'000	**US$'000**
Interest expense:		
– bank borrowings (including bank overdrafts)	71,069	54,353
– loan from related parties	2,761	1,266
– delayed payments to related parties	863	7,598
Others	196	356
	74,889	63,573
Less: Amount capitalised as		
– biological assets	(638)	–
– property, plant and equipment (construction-in-progress)	(5,129)	(3,158)
	69,122	60,415

9. PROFIT BEFORE TAX

	Group 2006 US$'000	Group 2005 US$'000
The following items have been included in arriving at profit before tax:		
Depreciation of property, plant and equipment		
– Land and land rights	548	391
– Buildings	6,062	5,856
– Plants and machineries	22,305	16,465
– Furniture, fittings and office equipment	1,266	980
– Vessels	1,946	2,366
– Motor vehicles and trucks	3,560	2,776
	35,687	28,834
Less: Amount capitalised as part of costs of biological assets	(647)	(135)
	35,040	28,699
Staff costs during the financial years comprise:		
– Salaries	45,671	33,968
– CPF and other pension funds	457	478
– Other staff related expenses	2,147	3,739
Rental expense – operating lease	670	573

10. TAX EXPENSE

(a) ***Major components of income tax expense***

The major components of income tax expense for the years ended 31 December 2006 and 2005 are:

	Group 2006 US$'000	Group 2005 US$'000
Profit and loss account		
Current income tax		
Current taxation	18,742	13,857
Under provision in respect of previous years	919	224
Deferred income tax		
Movement in temporary differences	9,422	1,106
Benefits from previously unrecognised tax losses	4	(273)
Income tax expense recognised in the profit and loss account	29,087	14,914

10. TAX EXPENSE (cont'd)

(b) ***Relationship between tax expense and accounting profit***

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the years ended 31 December 2006 and 2005 is as follows:

	Group	
	2006	**2005**
	US$'000	**US$'000**
Accounting profit before income tax	135,401	73,532
Tax at the domestic rates applicable to profits in the countries where the Group operates	27,080	14,706
Adjustments:		
Effect of higher tax rates in Indonesia	5,844	4,479
Effect of tax concession of 5%	(6,696)	(3,856)
Non-deductible expenses	1,775	543
Income not subject to taxation	(161)	(378)
Effect of partial tax exemption	(73)	(3)
Utilisation of previously unrecognised tax losses	–	(495)
Deferred tax assets/(liabilities) not recognised	138	(52)
Section 13A exemption of shipping profits	(207)	(254)
Under provision in respect of previous years	919	224
Share of results of associates	468	–
Income tax expense recognised in the profit and loss account	29,087	14,914

(i) A major subsidiary, Wilmar Trading Pte Ltd, has been granted the "global trader programme" incentive by International Enterprise Singapore ("IES"), under which qualifying profits are taxed at a concessionary rate of 10% for a period of 5 years commencing 1 January 2003. The concessionary rate was subsequently revised to 5% for a period of 5 years commencing 1 January 2004. The continued eligibility of this global trader programme incentive is subjected to Wilmar Trading Pte Ltd meeting the conditions set out by IES.

(ii) There is no taxation charge for vessel owning subsidiaries as the profits derived from their Singapore registered vessels are exempt from income tax under Section 13A of the Singapore Income Tax Act, Cap. 134.

10. TAX EXPENSE (cont'd)

(c) ***Deferred income tax***

	Group 2006 US$'000	Group 2005 US$'000
Deferred tax liabilities		
Difference in depreciation	(16,119)	(15,371)
Expenditure currently deductible for tax but deferred for accounting purposes	(615)	(615)
Fair valuation gains of biological assets	(42,644)	(32,161)
	(59,378)	(48,147)
Deferred tax assets		
Tax losses	473	927
Provisions	4,206	1,707
Others	744	–
	5,423	2,634

11. EARNINGS PER SHARE (US CENTS)

Basic earnings per share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the profit and loss account and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group 2006 US$'000	Group 2005 US$'000
Profit for the year attributable to ordinary shares	104,612	58,049
Weighted average number of ordinary shares ('000)	2,318,336	2,176,555

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land rights US$'000	Buildings US$'000	Plant and machineries US$'000	Furniture, fittings and office equipment US$'000	Vessels US$'000	Motor vehicles and trucks US$'000	Construction in-progress US$'000	Total US$'000
Group								
Cost or valuation								
Cost	22,757	110,363	204,632	6,927	14,748	31,610	25,084	416,121
Valuation	71	291	123	–	–	–	–	485
At 1 January 2005	22,828	110,654	204,755	6,927	14,748	31,610	25,084	416,606
New subsidiaries acquired	2,577	5,723	13,482	150	–	653	2,284	24,869
Additions	2,728	2,043	8,552	702	1,894	5,725	86,651	108,295
Disposals	(278)	(4,530)	(3,954)	(12)	(1,412)	(811)	(4)	(11,001)
Transfers	187	18,242	30,228	122	–	56	(48,835)	–
Currency translation differences	(141)	(8,791)	3,909	180	(17)	385	51	(4,424)
At 31 December 2005 and 1 January 2006	27,901	123,341	256,972	8,069	15,213	37,618	65,231	534,345
Representing:								
Cost	27,830	123,050	256,849	8,069	15,213	37,618	65,231	533,860
Valuation	71	291	123	–	–	–	–	485
At 1 January 2006	27,901	123,341	256,972	8,069	15,213	37,618	65,231	534,345
New subsidiaries acquired	826	6,082	2,495	490	–	327	642	10,862
Additions	4,076	2,584	3,083	1,957	1,738	4,223	121,082	138,743
Disposals	(1,499)	(5,692)	(21,503)	(79)	(1,673)	(1,111)	(4,938)	(36,495)
Transfers	1,079	20,969	71,044	1,549	–	345	(94,986)	–
Reclassifications	–	(10,491)	10,299	39	–	153	–	–
Currency translation differences	76	1,116	1,035	45	–	162	205	2,639
At 31 December 2006	32,459	137,909	323,425	12,070	15,278	41,717	87,236	650,094
Representing:								
Cost	32,388	137,618	323,302	12,070	15,278	41,717	87,236	649,609
Valuation	71	291	123	–	–	–	–	485
	32,459	137,909	323,425	12,070	15,278	41,717	87,236	650,094

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land and land rights US$'000	Buildings US$'000	Plant and machineries US$'000	Furniture, fittings and office equipment US$'000	Vessels US$'000	Motor vehicles and trucks US$'000	Construction in-progress US$'000	Total US$'000
Group								
Accumulated depreciation								
At 1 January 2005	1,392	31,174	78,264	4,346	9,481	21,147	–	145,804
Depreciation charge for the year	391	5,856	16,465	980	2,366	2,776	–	28,834
Disposals	–	(264)	(1,780)	(5)	(1,412)	(526)	–	(3,987)
Currency translation differences	1	(4,193)	1,968	(76)	(15)	198	–	(2,117)
At 31 December 2005 and 1 January 2006	1,784	32,573	94,917	5,245	10,420	23,595	–	168,534
Depreciation charge for the year	548	6,062	22,305	1,266	1,946	3,560	–	35,687
Disposals	–	(585)	(12,706)	(46)	(970)	(793)	–	(15,100)
Transfers	–	(1,252)	1,250	2	–	–	–	–
Reclassifications	–	(3,796)	3,669	22	–	105	–	–
Currency translation differences	8	169	426	26	–	44	–	673
At 31 December 2006	2,340	33,171	109,861	6,515	11,396	26,511	–	189,794
Net carrying amount								
At 31 December 2005	26,117	90,768	162,055	2,824	4,793	14,023	65,231	365,811
At 31 December 2006	30,119	104,738	213,564	5,555	3,882	15,206	87,236	460,300

The Group's property, plant and equipment include borrowing costs incurred in connection with the construction of a plant. The borrowing costs capitalised as cost of plant and equipment during the year ended 31 December 2006 amounted to US$5,129,000 (2005: US$3,158,000). Certain property, plant and equipment are pledged as security for the bank borrowings (Note 26).

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Furniture, fixtures and office equipment US$'000	Motor vehicles and trucks US$'000	Total US$'000
Company			
Cost			
At 1 January 2005	451	120	571
Additions	82	–	82
At 31 December 2005 and 1 January 2006	533	120	653
Disposals	(533)	(120)	(653)
At 31 December 2006	–	–	–
Accumulated depreciation			
At 1 January 2005	372	20	392
Depreciation charge for the year	54	24	78
At 31 December 2005 and 1 January 2006	426	44	470
Disposals	(426)	(44)	(470)
At 31 December 2006	–	–	–
Net carrying amount			
At 31 December 2005	107	76	183
At 31 December 2006	–	–	–

Property, plant and equipment with a net book value of US$106,000 at 31 December 2005 were acquired under finance leases.

13. INVESTMENT SECURITIES

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Unquoted equity shares, at cost	44	38	–	205

Unquoted shares at cost have no market prices and the fair value cannot be reliably measured using valuation techniques.

14. INVESTMENTS IN SUBSIDIARIES

	Company 2006 US$'000	Company 2005 US$'000
Shares, at cost	552,244	2,345

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2006 %	2005 %
Held by the Company				
Tradesound Investments Limited [1]	British Virgin Islands	Investment holding	100	–
Wilmar Fertilizer Indonesia Pte Ltd [1]	Singapore	Investment holding	100	–
Wilmar Holdings Sdn. Bhd.	Malaysia	Investment holding	100	–
Wilmar Plantations Limited [1]	British Virgin Islands	Investment holding	100	–
Wilmar Plantations (Mauritius) Limited	Republic of Mauritius	Investment holding	100	–
Wilmar Shipping (Mauritius) Limited	Republic of Mauritius	Investment holding	85.33	–
Wilmar Trading Pte Ltd [1]	Singapore	International trading in edible oils	100	–
Alicia Shipping Co Limited [3]	British Virgin Islands	Ship-owning and chartering	91	–
Analisa Shipping Co Pte Ltd [1]	Singapore	Ship-owning and chartering	80	–
Lisa Shipping Co. Pte Ltd [1]	Singapore	Ship-owning and chartering	100	–
Monalisa Shipping Co Pte Ltd [1]	Singapore	Ship-owning and chartering	100	–
Venessa Shipping Ltd [3]	British Virgin Islands	Ship-owning and chartering	80	–
KemOleo Pte. Ltd.	Singapore	Trading in oleo chemical and biodiesel	70	–
Pacific Rim Palm Oil Limited	Republic of Mauritius	Investment holding	100	–
Held through subsidiaries				
Held by Tradesound Investments Limited				
PT Bukit Kapurreksa [2]	Indonesia	Edible oil refinery	95	–
PT Sinar Alam Permai [2]	Indonesia	Edible oil refinery	95	–
PT Multimas Nabati Asahan [2]	Indonesia	Edible oil refinery	95	–
PT Sinarperdana Caraka [2]	Indonesia	Palm oil mill	70	–
PT Karya Putrakreasi Nusantara [2]	Indonesia	Edible oil refinery and speciality fats	60	–

14. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2006 %	2005 %
Held through subsidiaries (cont'd)				
Held by Tradesound Investments Limted (cont'd)				
PT Cahaya Kalbar Tbk	Indonesia	Edible oil refinery and speciality fats	61.71	–
PT Mekar Bumi Andalas (2)	Indonesia	Palm oil storage services and refinery	99	–
PT Sari Agrotama Persada (2)	Indonesia	Distribution of frying oil, margarine and shortening	95	–
PT Multi Nabati Sulawesi (2)	Indonesia	Copra crushing, palm kernel crushing plant and refinery	95	–
PT Kawasan Industri Dumai (2)	Indonesia	Development of industrial estate	95	–
PT Multi Mineral Trading (2)	Indonesia	Coal business and trading	99.75	–
PT Wilmar Bioenergi Indonesia (2)	Indonesia	Bio-diesel refinery	99.75	–
Held by PT Cahaya Kalbar Tbk				
PT Inticocoa Abadi Industri	Indonesia	Processing cocoa butter and powder	61.71	–
Held by Wilmar Fertilizer Indonesia Pte Ltd				
PT Sentana Adidaya Pratama (2)	Indonesia	Processing of fertilisers	99	–
Held by Wilmar Holdings Sdn. Bhd.				
Wilmar Bulking Installation Sdn. Bhd.	Malaysia	Renting of storage facilities	100	–
Wilmar Edible Oils Sdn. Bhd.	Malaysia	Manufacturing and exporting palm and edible oils	100	–
Held by Wilmar Plantations Limited				
PT AMP Plantation (2)	Indonesia	Oil palm plantation, palm oil mill and palm kernel crushing plant	100	–
PT Permata Hijau Pasaman (2)	Indonesia	Oil palm plantation	100	–
PT Gersindo Minang Plantation (2)	Indonesia	Oil palm plantation and palm oil mill	100	–
PT Siak Prima Sakti (2)	Indonesia	Palm oil mill	70	–
PT Agronusa Investama (2)	Indonesia	Oil palm plantation and palm oil mill	95	–
PT Citra Riau Sarana (2)	Indonesia	Oil palm plantation and palm oil mill	95	–
PT Daya Labuhan Indah (2)	Indonesia	Oil palm plantation and palm oil mill	95	–

14. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2006 %	2005 %
Held through subsidiaries (cont'd)				
Held by PT AMP Plantation				
PT Primatama Muliajaya (2)	Indonesia	Oil palm plantation	100	–
Held by Wilmar Plantations (Mauritius) Limited				
PT Agro Palindo Sakti (2)	Indonesia	Oil palm plantation and rubber plantation	100	–
PT Buluh Cawang Plantations (2)	Indonesia	Oil palm plantation, rubber plantation and palm oil mill	100	–
PT Musi Banyuasin Indah (2)	Indonesia	Oil palm plantation and palm oil mill	100	–
PT Tania Selatan (2)	Indonesia	Oil palm plantation and palm oil mill	100	–
PT Agrindo Indah Persada (2)	Indonesia	Palm oil mill	100	–
PT Perkebunan Milano (2)	Indonesia	Oil palm plantation and palm oil mill	100	–
PT Sinarsiak Dianpermai (2)	Indonesia	Palm oil mill	100	–
PT Murini Samsam (2)	Indonesia	Oil palm plantation and palm oil mill	100	–
PT Dharma Wungu Guna (2)	Indonesia	Palm oil mill	100	–
Held by Wilmar Shipping (Mauritius) Limited				
PT Tirta Arung Intiniaga	Indonesia	Ship-owning and chartering	81.06	–
Held by Pacific Rim Palm Oil Limited				
PT Asiatic Persada (2)	Indonesia	Oil palm plantation and palm oil mill	51	–
Held by PT Asiatic Persada				
PT Maju Perkasasawit	Indonesia	Oil palm plantation	45.9	–
PT Jammer Tulen	Indonesia	Oil palm plantation	45.9	–

(1) Audited by Ernst & Young, Singapore
(2) Audited by Ernst & Young, Jakarta, Indonesia
(3) Not required to be audited by the law of its country of incorporation

The Group subsidiary of Venessa Shipping Limited is in the process of liquidation during the financial year ended 31 December 2006.

15. INVESTMENTS IN ASSOCIATES

	Group 2006 US$'000	Group 2005 US$'000
Unquoted shares, at cost	8,997	1,245
Share of post-acquisition reserves	41	(639)
Carrying amount of investments	9,038	606

Name of associates	Country of incorporation	Principal activities	Proportion of ownership interest 2006 %	Proportion of ownership interest 2005 %
Held by Wilmar Plantations Limited				
Sheringham International Limited [1]	British Virgin Islands	Investment holding	38.1	–
Josovina Commodities Ltd	British Virgin Islands	Investment holding	48.01	–
Held by Sheringham International Limited				
PT Bumipratama Khatulistiwa [2]	Indonesia	Oil palm plantation and palm oil mill	34.29	–
Held by Tradesound Investments Limited				
PT Bumi Karyatama Raharja [2]	Indonesia	Production of bleaching earth	40	–
Held by Wilmar Edible Oils Sdn. Bhd.				
Josovina Commodities Sdn. Bhd.	Malaysia	Commodities trading	49	–
TSH-Wilmar Sdn. Bhd. [3]	Malaysia	Palm oil refinery	50	–
TSH-Wilmar (BF) Sdn. Bhd. [3]	Malaysia	Production of power supply (electricity and steam)	50	–
Held by KemOleo Pte. Ltd.				
HBI USA LLC [1]	United States of America	Product brokerage	21.7	–

(1) Not required to be audited by the law of its country of incorporation
(2) Audited by Ernst & Young, Jakarta, Indonesia
(3) Audited by Ernst & Young, Malaysia

15. INVESTMENTS IN ASSOCIATES (cont'd)

The summarised financial information of the associates is as follows:

	Group	
	2006 US$'000	2005 US$'000
Assets and liabilities:		
Current assets	41,284	12,395
Non-current assets	77,156	37,694
Total assets	118,440	50,089
Current liabilities	64,270	22,791
Non-current liabilities	36,355	24,009
Total liabilities	100,625	46,800
Results:		
Revenue	29,603	15,137
Loss for the year	(965)	(2,383)

16. PLASMA INVESTMENTS

Plasma investments comprise accumulated costs and borrowing costs incurred for the development of oil palm plantations in Indonesia under the "Plasma Scheme". Under this scheme, which is implemented under the Indonesian Government's guidelines, the subsidiaries assume responsibility for developing oil palm plantations to the productive stage, using the bank loans (Note 26) provided specifically for this purpose. When the oil palm plantations are at their productive stage, the development cost of the plantations together with the aforementioned bank loans will be transferred to the plasma landholders.

	Group	
	2006 US$'000	2005 US$'000
Development cost and interest expense capitalised	15,550	15,168
Less: Instalments paid by plasma landholders	(339)	(339)
	15,211	14,829
Transferred to plasma landholders	(3,586)	(3,586)
	11,625	11,243
Less: Impairment	(516)	(516)
Total plasma investments	11,109	10,727

The plasma investments are pledged as securities for the bank borrowings under the "Plasma Scheme" (Note 26).

17. BIOLOGICAL ASSETS

	Group	
	2006	2005
	US$'000	US$'000
At 1 January	154,932	120,070
New subsidiaries acquired	38,888	28,822
Additions	11,115	7,250
Disposals	(30)	(3,038)
Capitalisation of interest	638	–
Capitalisation of depreciation	647	135
	206,190	153,239
Increase in fair value less point-of-sale costs	17,352	1,693
At 31 December	223,542	154,932

(a) ***Analysis of biological assets***
At the end of the financial year, biological assets comprised oil palm trees, which range from newly established plantations to plantations that are 21 years old:

	2006 (In hectares)	2006 US$'000	2005 (In hectares)	2005 US$'000
Planted area:				
– Mature*	57,188	209,867	46,678	151,374
– Immature	11,049	13,675	5,038	3,558
	68,237	223,542	51,716	154,932

* Mature planted area included rubber plantation

(b) ***Analysis of oil palm production***
During the year ended 31 December 2006 the Group harvested approximately 995,194 tonnes (2005: 816,559 tonnes) of fresh palm fruit bunches, which had a fair value less estimated point-of-sale costs of US$85,788,000 (2005: US$56,051,000). The fair value of fresh palm fruit bunches was determined with reference to their market prices.

(c) At 31 December 2006, the fair value of biological assets of the Group mortgaged as securities for bank term loans amounted to US$133,521,000 (2005: US$97,765,000).

(d) Based on approval from Minister of Agriculture, Republic of Indonesia to develop oil palm plantations, the Group is committed to develop a total of 11,049 hectares (2005: 5,038 hectares) of oil palm plantations.

(e) The interest capitalised is actual interest incurred on the bank borrowings to finance the development of oil palm plantations.

18. INTANGIBLE ASSET

	Group Goodwill US$'000
Cost:	
At 1 January 2005	(864)
Acquisition of new subsidiaries	24,229
Negative goodwill taken to revenue reserves in accordance with FRS 103	5,985
Acquisition of additional interest in existing subsidiaries	5,265
At 31 December 2005 and 1 January 2006	34,615
Goodwill arising from reverse acquisition	14,304
Acquisition of new subsidiaries	(1,249)
At 31 December 2006	47,670
Accumulated amortisation and impairment:	
At 1 January 2005, 31 December 2005 and 1 January 2006	(28)
Goodwill arising from reverse acquisition written off	(14,304)
Negative goodwill taken to the profit and loss account	1,249
At 31 December 2006	(13,083)
Net carrying amount:	
At 31 December 2005	34,587
At 31 December 2006	34,587

19. OTHER RECEIVABLES

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Non-current:				
Deposits	2,335	813	–	–
Prepayments	3,777	3,313	–	–
Interest free loans to staff	192	93	–	–
Project-in-transit	14,599	–	–	–
Advances to a cooperative on plasma investments	7,832	–	–	–
Other non trade receivables	1,450	8,326	–	–
Amount due from associates – non trade	5,465	6,796	–	–
Amount due from subsidiaries – non trade	–	–	16,000	–
	35,650	19,341	16,000	–

19. OTHER RECEIVABLES (cont'd)

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Current:				
Deposits	150	146	–	26
Prepayments	3,477	2,659	23	7
Interest free loans to staff	347	164	–	–
Advances to third parties	105	1,680	–	–
Loans to a joint venture partner	–	1,339	–	–
Advances to a cooperative on plasma investments	–	4,309	–	–
Tax recoverable	6,195	8,860	–	–
Other non trade receivables	7,805	4,291	915	15
Advances for property, plant and equipment	17,099	5,159	–	–
Advances to suppliers	34,530	26,135	–	–
Amount due from associates – non trade	12,759	10,786	–	–
Amount due from related companies – non trade	1,045	209,125	–	–
Amount due from subsidiaries – non trade	–	–	402,277	1,231
	83,512	274,653	403,215	1,279

Amount due from associates (non-current)

The non-current non trade balances receivable from associates are unsecured, non-interest bearing and have no fixed terms of repayment. These balances are not expected to be repaid within the next 12 months.

Amounts due from associates and related companies (current)

The current non trade balances receivable from associates and related companies are unsecured, non-interest bearing, and have no fixed terms of repayment except for an amount of US$11,366,000 (2005: US$10,710,000) due from associates which bear interest at 12.50% (2005: 6.93% to 14.00%) per annum.

20. INVENTORIES

	Group	
	2006 US$'000	2005 US$'000
Raw materials	99,106	72,913
Consumables	29,322	40,228
Finished goods	211,690	175,797
Stock in transit	26,692	–
Total inventories at lower of cost and net realisable value	366,810	288,938

The Group has pledged a floating charge over inventories as security over bank term loans and bank overdraft (Note 26).

21. TRADE RECEIVABLES

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Trade receivables	285,240	246,320	–	75
Amount due from associates – trade	1,017	30,479	–	–
Amount due from related parties – trade	273,987	115,294	–	–
	560,244	392,093	–	75
Less: Allowance for doubtful receivables	(2,068)	(1,850)	–	–
	558,176	390,243	–	75

Receivables including amounts due from associates and related parties are denominated in the following currencies:

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
United States Dollars	442,987	315,321	–	–
Indonesian Rupiah	105,143	71,028	–	–
Others	10,046	3,894	–	75
	558,176	390,243	–	75

Trade receivables from third parties, associates and related parties are unsecured and non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group has pledged a floating charge over trade receivables as security over bank term loans and bank overdraft (Note 26).

22. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments included in the balance sheet at 31 December are as follows:

	Group			
	2006		2005	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Forward currency contracts	4,858	(227)	6,926	(266)
Futures, options and swap contracts	6,543	(377)	32	(148)
	11,401	(604)	6,958	(414)

23. CASH AND BANK BALANCES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash at banks and in hand	26,314	19,505	6,465	230
Short term deposits	17,666	7	–	1,228
	43,980	19,512	6,465	1,458

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following as at 31 December:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash at bank and in hand and short term deposits	43,980	19,512	6,465	1,458
Bank overdrafts (Note 26)	(138,061)	(120,742)	–	–
Cash and cash equivalents	(94,081)	(101,230)	6,465	1,458

Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The weighted average effective interest rate of short term deposits is 6.41% (2005: 0.64%) per annum.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	US$'000	**US$'000**	**US$'000**	**US$'000**
United States Dollar	10,845	(2,562)	6,452	–
Indonesian Rupiah	(111,892)	(103,983)	–	–
Others	6,966	5,315	13	1,458
	(94,081)	(101,230)	6,465	1,458

Bank overdrafts are included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management.

24. TRADE PAYABLES

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Trade payables	129,227	86,306	–	55
Due to associates – trade	258	4,596	–	–
Due to related parties – trade	189,806	74,920	–	–
	319,291	165,822	–	55

Trade payables are non-interest bearing and are normally settled on 18 (2005: 18) days term.

Payables including amounts due to associates and related parties are denominated in the following currencies:

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
United States Dollars	290,972	127,486	–	–
Indonesian Rupiah	25,894	35,233	–	–
Others	2,425	3,103	–	55
	319,291	165,822	–	55

25. OTHER PAYABLES

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Current:				
Accrued operating expenses	35,566	27,135	814	185
Advances from customers	780	1,121	–	–
Due to associates – non trade	2,234	3,613	–	–
Due to related parties – non trade	2,102	7,295	–	–
Other liabilities	21,895	21,937	856	–
Due to subsidiaries – non trade	–	–	205,042	–
Others *	–	–	–	2,200
	62,577	61,101	206,712	2,385

* Others comprise allowance for impairment loss on various assets arising from the reverse acquisition.

25. OTHER PAYABLES (cont'd)

	Group		Company	
	2006	2005	2006	2005
	US$'000	US$'000	US$'000	US$'000
Non-current:				
Due to related parties – non trade	–	297,200	–	–
Advances from ultimate holding company	33	32	–	–
Advances from minority shareholders	14,254	14,916	–	–
Provision for employee gratuity (Note 28)	9,465	5,187	–	–
	23,752	317,335	–	–

The amount due to associates and related parties (current) are unsecured, non-interest bearing and repayable on demand.

Advances from ultimate holding company and minority shareholders are unsecured, non-interest bearing and are not expected to be repaid within the next twelve months.

26. INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	Effective interest rate %	2006 Group US$'000	2006 Company US$'000
Non-current:				
Bank term loans	2008 - 2011	9.93	36,614	16,000
Bank term loans – Plasma investments	2008 - 2010	14.00	6,547	–
			43,161	16,000
Current:				
Bank term loans	2007	11.01	119,661	12,000
Bank term loans – Plasma investments	2007	14.25	1,329	–
Short term loans	2007	10.60	46,988	–
Pre-shipment loans	2007	6.28	291,589	–
Trust receipts/bill discounts	2007	6.25	118,802	–
Bank overdrafts (Note 23)	2007	12.25	138,061	–
			716,430	12,000

26. INTEREST-BEARING LOANS AND BORROWINGS (cont'd)

	Maturity	Effective interest rate %	2005 Group US$'000	2005 Company US$'000
Non-current:				
Obligations under finance lease	2007	4.00	–	70
Bank term loans	2007 - 2008	12.64	61,830	–
Bank term loans – Plasma investments	2007 - 2008	14.00	6,529	–
			68,359	70
Current:				
Obligations under finance lease	2006	17.90	15	29
Bank term loans	2006	12.25	22,057	–
Bank term loans – Plasma investments	2006	14.29	2,209	–
Short term loans	2006	10.28	72,824	–
Pre-shipment loans	2006	5.21	250,836	–
Trust receipts/bill discounts	2006	5.43	152,676	–
Bank overdrafts (Note 23)	2006	13.37	120,742	–
			621,359	29

The terms and conditions and securities for interest-bearing loans and borrowings are as follows:

(a) ***Bank term loans***
The bank term loans are secured by:

(i) A charge over property, plant and equipment of certain subsidiaries

(ii) A pledge over inventories and accounts receivables of certain subsidiaries

(iii) Corporate guarantees from the Company

(iv) Corporate guarantees from Wilmar Holdings Pte Ltd (immediate holding company) and certain subsidiaries

(b) ***Bank term loans – Plasma investments***
The bank term loans for Plasma investments are secured by a charge over the property, plant and equipment of certain subsidiaries which are involved in the Plasma investments.

(c) ***Short term loans/trust receipts/bill discounts***
The short term loans, trust receipts and bills discounts are secured by a charge over property, plant and equipment, fixed deposits, accounts receivables, inventories and corporate guarantees from the Company, corporate guarantees from Wilmar Holdings Pte Ltd, corporate guarantees from certain subsidiaries and personal guarantee from a director of a subsidiary.

(d) ***Bank overdrafts***
The bank overdrafts are secured by property, plant and equipment, inventories, accounts receivables and corporate guarantees from the Company and certain subsidiaries.

26. INTEREST-BEARING LOANS AND BORROWINGS (cont'd)

The bank facilities up to a limit of US$1,315,621,000 (2005: US$1,120,677,000) are guaranteed by:

(i) Wilmar Holdings Pte Ltd

(ii) Companies within the Group

(iii) Personal guarantee given by certain directors of companies within the Group

27. SHARE CAPITAL

	Group		Company	
	Number of ordinary shares '000	**US$'000**	**Number of ordinary shares '000**	**US$'000**
Issued and fully paid:				
At 1 January 2005, 31 December 2005 and 1 January 2006 [1]	21,765,550	62,585	261,700	7,868
Shares arising from exercise of share options [2]	–	–	3,850	121
Shares arising from the reverse acquisition [3]	–	43,310	21,500,000	517,121
Total before Consolidation [4]	21,765,550	105,895	21,765,550	525,110
Total after Consolidation [4]	2,176,555	105,895	2,176,555	525,110
Shares arising from Share Placement and Over-allotment [5]	356,250	180,678	356,250	180,678
Expenses arising from the reverse acquisition	–	(8,087)	–	(8,087)
Transfer of share premium reserve to share capital	–	1,792	–	18,716
At 31 December 2006	2,532,805	280,278	2,532,805	716,417

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value.

(1) The equity structure (number and types of equity issued) at balance sheet date represents that of the Company, being the legal parent. However, for the purpose of reverse acquisition accounting, the amount of share capital of the Group as at 1 January 2005, 31 December 2005 and 1 January 2006 represents that of the Acquired Group before the reverse acquisition.

(2) Conversion of options of 3,850,000 shares at S$0.05 per share (Note 2).

27. SHARE CAPITAL (cont'd)

(3) Issue of 21.5 billion consideration shares at S$0.06 per share, pursuant to the acquisition of the Acquired Group (Note 2).

The adjustment arose from reverse acquisition accounting and represents the cost of acquisition of the Acquired Group (legal subsidiary) by the Company (legal parent). The cost of acquisition is determined using the fair value of the issued equity of the Company before the acquisition, being 26.17 million shares at S$1.10 per share, which represents the fair market value of the Company being the quoted and traded price of the shares as at 14 July 2006 (date of completion of acquisition). It is deemed to be incurred by the legal subsidiary (i.e. the acquirer for accounting purposes) in the form of equity issued to the owners of the legal parent (i.e. the acquiree for accounting purposes). This amount was further increased by US$26 million in respect of capitalisation of debt.

(4) Consolidation of shares on the basis of one share for every ten shares held by shareholders (Note 2).

(5) Further allotment and issue of 300 million shares and 56.25 million shares (pursuant to an over-allotment option) at S$0.80 per share respectively (Note 2).

28. PROVISION FOR EMPLOYEE GRATUITY

The Group recognises provision for employee gratuity in accordance with Indonesian Labour Law No. 13/2003 dated 25 March 2003. The provision is based on an actuarial calculation by an independent actuary using the "Projected Unit Credit Method". Actuarial gains or losses are recognised as income or expenses when the cumulative actuarial gains or losses exceed 10% of the defined benefit obligation. These gains or losses are recognised over the expected remaining working lives of employees. Past service cost is amortised over the remaining working lives of each employee.

The provision for employee gratuity recognised by the Group amounted to US$9,465,000 and US$5,187,000 as at 31 December 2006 and 2005 respectively. The related expense recognised in the current financial year was US$3,575,000 (2005: US$1,956,000).

The estimated liabilities for employee gratuity based on the actuary reports have been determined using the following assumptions:

	2006	**2005**
Discount rate	11% per annum	11% per annum
Wages and salary increase	10% per annum	10% per annum
Retirement age	55 years of age	55 years of age
Mortality rate	CSO – 1980	CSO – 1980
Method	Projected unit credit	Projected unit credit

28. PROVISION FOR EMPLOYEE GRATUITY (cont'd)

The details of the employee gratuity expense recognised in the consolidated profit and loss account are as follows:

	Group	
	2006	2005
	US$'000	US$'000
Current service costs	1,388	882
Adjustments of new entrant employees	1,328	–
Interest costs	726	517
Amortisation of past service cost – non vested	(6)	52
Immediate recognition on effect of changes in actuarial assumption	59	362
Termination cost	80	143
Employee gratuity expense recognised in the consolidated profit and loss account	3,575	1,956

The details of the provision for employee gratuity as at balance sheet date are as follows:

	Group	
	2006	2005
	US$'000	US$'000
Present value of benefit obligation	10,907	5,695
Unamortised service cost	(261)	(908)
Unrecognised actuarial loss	(1,454)	442
Currency exchange differences	273	(42)
Provision for employee gratuity (Note 25)	9,465	5,187

Movement in provision for employee gratuity is as follows:

	Group	
	2006	2005
	US$'000	US$'000
At beginning of year	5,187	3,434
Subsidiaries acquired during the year	550	169
Provision made during the year	3,575	1,956
Reversal of provision	–	(147)
Payments during the year	(331)	(86)
Currency exchange differences	484	(139)
At end of year	9,465	5,187

29. COMMITMENTS AND CONTINGENCIES

(a) ***Capital commitments***

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:

	Group	
	2006 US$'000	2005 US$'000
Capital commitments in respect of property, plant and equipment	5,913	1,113

(b) ***Operating lease commitments – As lessee***

The Group has entered into a commercial lease with a life of 1 year with renewal option. Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2006 US$'000	2005 US$'000
Not later than one year	352	252

(c) ***Commitments for sales and purchases contracts for the use of the Group***

The Group has the following committed sales and purchases contracts for palm oil and other agricultural commodities (excluding soya beans) that are entered into for the use of the Group. The contractual or underlying principal amounts of the committed contracts with fixed pricing terms that were outstanding as at 31 December are as follows:

	Contracts or underlying principal		Year end positive fair value		Year end negative fair value		Net year end fair value	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Committed contracts								
Purchases	546,781	197,963	88,496	13,252	(2,121)	(2,228)	86,375	11,024
Sales	853,728	356,074	2,343	8,983	(99,277)	(3,025)	(96,934)	5,958

As at 31 December 2006, the contracted settlement date for outstanding committed sales and purchases contracts vary within 2 to 13 (2005: 2 to 6) months from the financial year end.

29. COMMITMENTS AND CONTINGENCIES (cont'd)

(d) ***Commitments for sales and purchases contracts on behalf of related companies***

The Group has the following committed sales and purchases contracts for soya beans that are entered into on behalf of related companies. The contractual or underlying principal amounts of the committed contracts with fixed pricing terms that were outstanding as at 31 December are as follows:

	Contracts or underlying principal		Year end positive fair value		Year end negative fair value		Net year end fair value	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Committed contracts								
Purchases	57	271,438	–	2,462	–	(6,387)	–	(3,925)
Sales	39	141,869	–	1,433	–	(1,754)	–	(321)

As at 31 December 2006, the contracted settlement date for outstanding committed sales and purchases contracts vary within 1 to 3 (2005: 1 to 3) months from the financial year end.

(e) ***Other forwards and future contracts***

(i) Futures, options and swap contracts for palm oil related products and other agricultural commodities (excluding soya beans) entered for the use of the Group.

Futures, options and swap contracts are entered into to manage the fluctuations in prices of certain palm oil related products and other agricultural commodities. The contractual or underlying principal amounts of the aforesaid futures, options and swap contracts with fixed pricing terms that were outstanding as at 31 December are as follows:

	Contracts or underlying principal		Year end positive fair value		Year end negative fair value		Net year end fair value	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Futures and options								
Purchases	3,860	508	84	32	–	–	84	32
Sales	74,600	10,277	2,562	–	(377)	(148)	2,185	(148)
	78,460	10,785	2,646	32	(377)	(148)	2,269	(116)
Swaps								
Purchases	16,712	–	3,897	–	–	–	3,897	–
Total	95,172	10,785	6,543	32	(377)	(148)	6,166	(116)

As at 31 December 2006, the contracted settlement dates for outstanding futures, options and swap contracts vary within 2 to 12 (2005: 3 to 6) months from the financial year end.

Any realised/unrealised gains and losses from these futures, options and swap contracts are recognised in the profit and loss account.

29. COMMITMENTS AND CONTINGENCIES (cont'd)

(e) ***Other forwards and future contracts*** (cont'd)

(ii) Futures and options contracts entered into by the Group on behalf of related companies and related parties
The Group has futures and options sales contracts for non-palm oil products such as soya beans that are entered into on behalf of related companies and related parties. The contractual or underlying principal amounts of futures and options contracts with fixed pricing terms that were outstanding as at 31 December are as follows:

	Contracts or underlying principal		**Year end positive fair value**		**Year end negative fair value**		**Net year end fair value**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Futures and options								
Sales	445,427	446,341	3,596	2,088	(10,560)	(10,497)	(6,694)	(8,409)

As at 31 December 2006, the contracted settlement dates for outstanding futures and options contracts vary within 2 to 11 (2005: 2 to 11) months from the financial year end.

Any realised/unrealised gains and losses from these futures and options contracts are refunded to and recovered from the respective related companies and related parties.

(iii) Forward foreign exchange contracts entered for the use of the Group
Forward foreign exchange contracts are entered into by the Group to hedge anticipated transactions in major foreign currencies. Accordingly, any realised gains and losses resulted from fair value assessment will be recognised in the profit and loss account.

	Contracts or underlying principal		**Year end positive fair value**		**Year end negative fair value**		**Net year end fair value**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Forward foreign exchange contracts								
Indonesian Rupiah	6,000	–	–	–	(85)	–	(85)	–
Singapore Dollar	2,000	–	3	–	–	–	3	–
United States Dollar	271,244	198,900	4,855	6,926	(142)	(266)	4,713	6,660
	279,244	198,900	4,858	6,926	(227)	(266)	4,631	6,660

At 31 December 2006, the settlement dates on forward foreign exchange contracts range between 1 to 12 (2005: 1 to 12) months.

The net unrealised positive fair value of the forward foreign exchange contracts as at 31 December 2006 of approximately US$4,631,000 (2005: US$6,660,000) was recognised in the profit and loss account.

29. COMMITMENTS AND CONTINGENCIES (cont'd)

(e) ***Other forwards and future contracts*** (cont'd)

(iv) Forward foreign exchange contracts entered into by the Group on behalf of related companies
Forward foreign exchange contracts are entered into by the Group on behalf of related companies to hedge anticipated transactions in major foreign currencies. Accordingly, any realised gains and losses resulted from fair value assessment will be refunded to and recovered from the related corporations.

	Contracts or underlying principal		**Year end positive fair value**		**Year end negative fair value**		**Net year end fair value**	
	2006 US$'000	**2005 US$'000**	**2006 US$'000**	**2005 US$'000**	**2006 US$'000**	**2005 US$'000**	**2006 US$'000**	**2005 US$'000**
Forward foreign exchange contracts								
Chinese Renminbi	290,500	209,000	1,295	644	(5,847)	(11)	(4,552)	633

At 31 December 2006, the settlement dates on forward foreign exchange contracts range between 1 to 12 (2005: 1 to 12) months.

The net unrealised (negative)/positive fair value of the forward foreign exchange contracts as at 31 December 2006 of approximately US$(4,552,000) (2005: US$633,000) was recognised as a (charge)/ refund to related companies since these contracts are undertaken on behalf of related companies.

(f) ***Commitments for development of oil palm plantations***
The Group has commitments in relation to the development of oil palm plantations amounted to approximately US$11,032,000 as of 31 December 2006 (2005: US$3,266,000).

(g) ***Contingent liabilities***
The Group has contingent liabilities of approximately US$1,325,000,000 (2005: US$Nil) and US$166,700,000 (2005: US$Nil) in respect of corporate guarantees for certain credit facilities given to its subsidiaries and associates respectively.

(h) ***On 14 December 2006, the Company:***

(i) announced that it proposes to merge with PPB Oil Palms Berhad ("PPBOP"), Kuok Oils & Grains Pte Ltd ("KOG") and PGEO Group Sdn Bhd ("PGEO") by way of acquiring the shares in the issued share capital of PPBOP, KOG and PGEO, from the Kuok group of companies and other minority shareholders of PPBOP (collectively to be termed as the "KG Merger"), for an aggregate consideration of up to approximately S$4.1 billion to be satisfied by the allotment and issue of up to 2,403,154,004 new shares based on S$1.71 per share, being the last traded price on 13 December 2006 (the market day preceding the date of the announcement), as follows:

- 1,024,475,674 shares in respect of the proposed acquisition by the Company of all the voting shares in PPBOP not owned by the Company pursuant to the conditional voluntary general offer;
- 1,091,555,558 shares in respect of the proposed acquisition of KOG; and
- 287,122,772 shares in respect of the proposed acquisition of PGEO.

29. COMMITMENTS AND CONTINGENCIES (cont'd)

(h) ***On 14 December 2006, the Company:*** (cont'd)

(ii) also announced that it proposes to acquire all of Wilmar Holdings Pte Ltd's ("WHPL") interests in its subsidiaries and associated companies, save for its interests in the Company, and shares owned by Archer Daniels Midland Asia-Pacific Limited ("ADM") in companies where ADM holds shares with WHPL, together with minority interests in certain subsidiaries of the Company, for an aggregate consideration of approximately S$2.5 billion to be satisfied by the allotment and issue of 1,449,722,224 new shares based on S$1.71 per share, being the last traded price of shares on 13 December 2006 (the market day preceding the date of the announcement).

30. RELATED PARTY DISCLOSURES

(a) ***Sale and purchase of goods and services***
In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year on terms agreed between the parties:

	Group	
	2006	**2005**
	US$'000	**US$'000**
Immediate holding company		
Dividend paid	6,000	13,106
Interest income	8,392	8,009
Interest expense	2,750	–
Related parties		
Sales of goods	2,676,643	2,581,903
Purchase of goods	1,673,356	1,172,393
Ship charter income	–	51
Interest expense	12	–
Rental income	11	9
Rental expenses	–	256
Sales of spare parts	3	8
Purchase of spare parts	–	2,282
Construction income	18	–
Construction expenses	–	2,185
Freight charges	367	–
Transport income	7	–
Associates		
Sales of goods	6,571	5,690
Purchase of goods	13,275	5,201
Interest income	1,277	801
Purchase of spare parts	–	1,527

(b) ***Compensation of key management personnel***

Short-term employee benefits	2,032	1,554
Total compensation paid to key management personnel	2,032	1,554
Comprise amounts paid to:		
– Directors of the Group	1,592	1,352
– Other key management personnel	440	202
	2,032	1,554

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, foreign exchange liquidity, and credit risks. The Group uses relevant financial instruments to hedge the risk of such commercial exposures, such financial instruments are not held for trade or speculative purposes. These market risk management activities are governed by its risk management system.

(a) ***Commodity price management***

The price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, government policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops. During its ordinary course of business, the value of the Group's open sales and purchase commitments and inventory of raw material changes continuously in line with movements in the prices of the underlying commodity. To the extent that its open sales and purchase commitments do not match at the end of each business day, the Group is subject to price fluctuations in the commodities market. The Group generally uses forward physical and/or exchange traded commodity futures and options contracts to mitigate such risk.

While the Group is exposed to fluctuations in agricultural commodities prices, its policy is to minimize their risks arising from such fluctuations by hedging its sales either through direct purchases of a similar commodity or through futures contracts on the commodity exchanges. The prices on the commodity exchanges are quoted up to twelve months forward.

In the course of hedging its sales either through direct purchases or through futures contracts on the commodity exchanges, the Group may also be exposed to the inherent risk associated with trading activities conducted by its personnel. In order to manage such risk exposure, the Group has put in place a risk management system.

(b) ***Foreign exchange risk***

The Group operates in several countries and, as a result, is exposed to movements in foreign currency exchange rates. Other than sales to third party customers within Indonesia and Malaysia which are denominated in the local currency, most of its products are exported and quoted in United States Dollars while its purchases and business operations in Indonesia and Malaysia are mainly denominated in the local currency.

The Group reports its financial results in United States Dollars. Any fluctuations in currency exchange rates will result in exchange gains or losses arising from transactions carried out in the foreign currencies as well as translations of foreign currency monetary assets and liabilities as at the balance sheet dates.

The Group seeks to manage its foreign currency exposures by constructing natural hedges when it matches sales and purchases in any single currency or through financial instruments, such as foreign currency forward exchange contracts. The primary purpose of the foreign currency forward exchange contracts is to protect against the volatility associated with foreign currency purchases and sales of raw materials and other assets and liabilities created in the normal course of business. The Group primarily utilises foreign currency forward exchange contracts to manage committed sales contracts. The foreign currency hedging policy aims to minimize the impact of foreign currency fluctuations on its results of operations.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) ***Cash flow and fair value interest rate risks***
The Group's interest risk mainly arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

(d) ***Credit risk***
The Group has no significant concentration of credit risk.

The majority of the Group's sales are export sales. For export sales, the Group typically requires a letter of credit from its customers or cash against the presentation of documents of title. For domestic sales, the Group may grant its customers credit terms of up to 30 days from the date of issuance of invoice. The decision whether to extend credit to its customers depends, inter alia, on the following factors:

For new customers, the Group evaluates the customer's credit worthiness by considering the customer's financial standing, operating track record as well as conduct background checks through its industry contacts. Based on the information obtained, the Group will decide on the actual credit terms and limits to be granted. As a practice, the Group usually will require sales to new customers to be on cash in advance or on letters of credit basis.

For existing customers, the Group will review periodically the credit terms and limits granted. As part of its regular credit review, the Group will consider a customer's current financial strength, payment history, transaction volume and duration of its business relationship with the customer. The Group also monitors outstanding overdue trade debts on a monthly basis to ensure that corrective steps are taken to collect the outstanding debts.

If a customer fails to make payment within the credit term granted, the Group will contact the customer to follow up on the payment status of the overdue receivable. If the customer still does not settle the overdue receivable within a reasonable time, the Group will proceed to issue the customer a letter of demand and may consider legal action to recover the overdue receivable. Under such circumstances, management may decide to make specific allowance for doubtful receivable on these overdue balances.

(e) ***Liquidity risk***
The Group maintains sufficient liquidity by closely monitoring its cash flow. Due to the dynamic nature of its underlying business, the Group adopts prudent liquidity risk management policies in maintaining sufficient credit facilities, including the use of trade finance for the Group's raw material purchases. The Group also aims at maintaining flexibility in funding by keeping credit facilities available. As at 31 December 2006, the Group has available credit facilities of approximately US$1,440,997,000 (2005: US$1,154,000,000) of which US$759,591,000 (2005: US$689,718,000) was utilised.

32. FINANCIAL INSTRUMENTS

(a) ***Fair values***

The fair values of a finanacial instrument is the amount at which the instument could be exchanged or settled between knowledge and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables and current interest-bearing loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-paid frequently.

Financial instrument carried at other fair value

Investment securities, comprising unquoted shares and plasma investments are stated at cost as they have no market prices and the fair value cannot be reliably measured using valuation techniques.

Methods and assumptions used to determine fair values

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned earlier, are as follows :

Financial assets and liabilities	Methods and assumptions
• Other non-current receivables • Other non-current payables • Interest-bearing loans and borrowings	Fair value has been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements
• Biological assets	Fair value has been estimated by reference to independent valuations using discounted cash flows of the underlying biological assets. The expected cash flows from the whole life cycle of the oil palm plantations are determined using the market price and the estimated yield of fresh fruit bunches ("FFB"), net of maintenance and harvesting costs and any costs required to bring the oil palm plantations to maturity. The estimated yield of the oil palm plantations is affected by the age of the oil palm, the location, soil type and infrastructure. The market price of the FFB is largely dependent on the prevailing market price of the processed products after harvest, being crude palm oil and palm kernel. Point-of-sale costs include all costs that would be necessary to sell the assets.
• Forward currency contracts	Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.
• Futures, options and swap contracts	Where available, quoted market prices are used as a measure of fair values for the outstanding contracts. Where the quoted market prices are not available, fair values are based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar.

32. FINANCIAL INSTRUMENTS (cont'd)

(b) ***Interest rate risk***

The table below sets out the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Fixed rates						Floating rates							
	Within 1 year US$'000	1-2 years US$'000	2-3 years US$'000	3-4 years US$'000	4-5 years US$'000	More than 5 years US$'000	Within 1 year US$'000	1-2 years US$'000	2-3 years US$'000	3-4 years US$'000	4-5 years US$'000	More than 5 years US$'000	Non-interest bearing US$'000	Total US$'000
2006 – Group														
Cash and bank balances	11,308	–	–	–	–	–	16,968	–	–	–	–	–	15,704	43,980
Trade and other receivables	11,366	–	–	–	–	–	–	–	–	–	–	–	665,972	677,338
Inventories	–	–	–	–	–	–	–	–	–	–	–	–	366,810	366,810
Biological assets	–	–	–	–	–	–	–	–	–	–	–	–	223,542	223,542
Property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	–	460,300	460,300
Other assets	–	–	–	–	–	–	–	–	–	–	–	–	71,602	71,602
Total assets	22,674	–	–	–	–	–	16,968	–	–	–	–	–	1,803,930	1,843,572
Interest-bearing loans and borrowings	–	–	–	–	–	–	730,137	16,000	–	–	–	–	13,454	759,591
Other liabilities	–	–	–	–	–	–	–	–	–	–	–	–	477,319	477,319
Total liabilities	–	–	–	–	–	–	730,137	16,000	–	–	–	–	490,773	1,236,910
2006 – Company														
Cash and bank balances	–	–	–	–	–	–	6,465	–	–	–	–	–	–	6,465
Trade and other receivables	–	–	–	–	–	–	12,144	16,000	–	–	–	–	391,071	419,215
Other assets	–	–	–	–	–	–	–	–	–	–	–	–	552,244	552,244
Total assets	–	–	–	–	–	–	18,609	16,000	–	–	–	–	943,315	977,924
Interest-bearing loans and borrowings	–	–	–	–	–	–	12,000	16,000	–	–	–	–	–	28,000
Other liabilities	–	–	–	–	–	–	–	–	–	–	–	–	206,747	206,747
Total liabilities	–	–	–	–	–	–	12,000	16,000	–	–	–	–	206,747	234,747

32. FINANCIAL INSTRUMENTS (cont'd)

(b) *Interest rate risk* (cont'd)

	Fixed rates						Floating rates							
	Within 1 year US$'000	1-2 years US$'000	2-3 years US$'000	3-4 years US$'000	4-5 years US$'000	More than 5 years US$'000	Within 1 year US$'000	1-2 years US$'000	2-3 years US$'000	3-4 years US$'000	4-5 years US$'000	More than 5 years US$'000	Non-interest bearing US$'000	Total US$'000
2005 – Group														
Cash and bank balances	–	–	–	–	–	–	10,096	–	–	–	–	–	9,416	19,512
Trade and other receivables	208,850	–	–	–	–	–	10,710	–	–	–	–	–	464,677	684,237
Inventories	–	–	–	–	–	–	–	–	–	–	–	–	288,938	288,938
Biological assets	–	–	–	–	–	–	–	–	–	–	–	–	154,932	154,932
Property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	–	365,811	365,811
Other assets	–	–	–	–	–	–	–	–	–	–	–	–	55,550	55,550
Total assets	208,850	–	–	–	–	–	20,806	–	–	–	–	–	1,339,324	1,568,980
Interest-bearing loans and borrowings	–	2,482	1,638	–	–	–	685,598	–	–	–	–	–	–	689,718
Other liabilities	–	–	–	–	–	–	40,202	–	–	–	–	–	559,334	599,536
Total liabilities	–	2,482	1,638	–	–	–	725,800	–	–	–	–	–	559,334	1,289,254
2005 – Company														
Cash and bank balances	–	–	–	–	–	–	1,458	–	–	–	–	–	–	1,458
Trade and other receivables	–	–	–	–	–	–	–	–	–	–	–	–	1,354	1,354
Property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	–	183	183
Other assets	–	–	–	–	–	–	–	–	–	–	–	–	2,550	2,550
Total assets	–	–	–	–	–	–	1,458	–	–	–	–	–	4,087	5,545
Interest-bearing loans and borrowings	99	–	–	–	–	–	–	–	–	–	–	–	–	99
Other liabilities	–	–	–	–	–	–	–	–	–	–	–	–	2,440	2,440
Total liabilities	99	–	–	–	–	–	–	–	–	–	–	–	2,440	2,539

33. SEGMENT INFORMATION

(a) ***Reporting format***

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) ***Business segments***

The Group comprises the following main business segments:

- Merchandising and refinery
  Merchandising of palm oil, lauric related products and non-palm oil related products. In addition, this business segment also includes the operation of palm oil processing and refinery plants.

- Plantations and palm oil mills
  Oil palm cultivation and milling.

- Others
  Including the business of manufacture and distribution of fertiliser products and ship-chartering services.

(c) ***Geographical segments***

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

(d) ***Allocation basis and transfer pricing***

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, interest-bearing loans and related expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

33. SEGMENT INFORMATION (cont'd)

(e) *Business segments*

(i) The following table presents revenue and results information regarding the Group's business segments for the years ended 31 December 2006 and 2005.

	Merchandising and refinery		Plantations and palm oil mills		Others		Elimination		Total	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Revenue:										
Sales to external customers	5,115,136	4,480,205	15,421	6,371	171,075	164,984	–	–	5,301,632	4,651,560
Inter-segment sales	62,817	102,318	385,837	261,978	25,883	25,947	(474,537)	(390,243)	–	–
Total revenue	5,177,953	4,582,523	401,258	268,349	196,958	190,931	(474,537)	(390,243)	5,301,632	4,651,560
Results:										
Segment results	136,616	86,345	63,202	28,857	7,012	8,591	–	–	206,830	123,793
Unallocated (expenses)/income									(2,440)	10,107
Finance costs									(69,122)	(60,415)
Share of results of associates	133	47	–	–	–	–	–	–	133	47
Profit before tax									135,401	73,532
Tax expense									(29,087)	(14,914)
Profit for the year									106,314	58,618

33. SEGMENT INFORMATION (cont'd)

(e) ***Business segments*** (cont'd)

(ii) The following table presents assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2006 and 2005.

	Merchandising and refinery		Plantations and palm oil mills		Others		Elimination		Total	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Assets and liabilities:										
Segment assets	1,610,543	1,273,189	495,300	399,319	1,197,094	190,559	(1,468,403)	(294,693)	1,834,534	1,568,374
Investments in associates	8,802	878	236	(272)	–	–	–	–	9,038	606
Total assets	1,619,345	1,274,067	495,536	399,047	1,197,094	190,559	(1,468,403)	(294,693)	1,843,572	1,568,980
Segment liabilities and total liabilities	1,330,983	1,051,961	381,674	336,659	439,590	177,856	(915,337)	(277,222)	1,236,910	1,289,254
Other segment information:										
Capital expenditure:										
– Property, plant and equipment	81,199	49,020	31,226	41,145	26,318	18,130	–	–	138,743	108,295
Intangible asset	5,571	5,571	29,016	29,016	–	–	–	–	34,587	34,587
Depreciation and amortisation	19,428	16,789	11,862	8,501	4,397	3,544	–	–	35,687	28,834

33. SEGMENT INFORMATION (cont'd)

(f) ***Geographical segments***

The following table presents revenue, capital expenditure and certain assets information regarding the Group's geographical segments for the years ended 31 December 2006 and 2005.

	India		China		South East Asia		Others		Total	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Revenue:										
Sales to external customers	283,114	296,938	2,493,626	2,300,083	1,483,065	1,056,309	1,041,827	998,230	5,301,632	4,651,560
Other segment information:										
Segment assets	–	–	–	–	1,832,876	1,566,305	1,658	2,069	1,834,534	1,568,374
Investments in associates	–	–	–	–	8,984	606	54	–	9,038	606
Total assets	–	–	–	–	1,841,860	1,566,911	1,712	2,069	1,843,572	1,568,980
Capital expenditure:										
– Property, plant and equipment	–	–	–	–	138,225	107,997	518	298	138,743	108,295
Intangible asset	–	–	–	–	34,587	34,587	–	–	34,587	34,587
Depreciation and amortisation	–	–	–	–	35,408	28,313	279	521	35,687	28,834

34. DIVIDENDS

	Group 2006 US$'000	2005 US$'000
Declared and paid during the year		
Dividends on ordinary shares		
– Final tax-exempt dividend for previous financial year	–	5,806
– Interim tax-exempt dividend for previous financial year	–	7,300
– Interim tax-exempt dividend for previous financial year	6,000	–
	6,000	13,106
Proposed but not recognised as liability		
Dividends on ordinary shares		
– Interim tax-exempt dividend for 2005	–	5,000
– Interim tax-exempt dividend for 2006: 0.85 US cents per share	21,435	–
	21,435	5,000

35. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 19 March 2007.

Statistics of Shareholdings

SHARE CAPITAL AS AT 12 MARCH 2007

Number of Shares	:	2,532,805,000
Number of Shareholders	:	5,552
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 to 999	1,262	22.73	264,596	0.01
1,000 to 10,000	3,215	57.91	15,413,673	0.61
10,001 to 1,000,000	1,050	18.91	63,509,136	2.51
1,000,001 and above	25	0.45	2,453,617,595	96.87
Total	**5,552**	**100.00**	**2,532,805,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

As at 12 March 2007

(as recorded in the Register of Substantial Shareholders)

Name	Direct Interest	Deemed Interest	Total Interest	%
Wilmar Holdings Pte Ltd	2,075,000,000 (1)	–	2,075,000,000	81.9
Wilmar International Holdings Limited	–	2,075,000,000 (1)	2,075,000,000	81.9
Kuok Khoon Hong	–	2,075,000,000 (1)	2,075,000,000	81.9
Martua Sitorus	–	2,075,000,000 (1)	2,075,000,000	81.9
Archer Daniels Midland Company	–	2,075,000,000 (1)	2,075,000,000	81.9
Archer Daniels Midland Asia-Pacific Limited	–	2,075,000,000 (1)	2,075,000,000	81.9
Golden Parklane Limited	–	2,075,000,000 (1)	2,075,000,000	81.9

Note

(1) Wilmar Holdings Pte Ltd, a subsidiary of Wilmar International Holdings Limited ("WIHL"), beneficially owns 2,075,000,000 shares in Wilmar International Limited ("WIL shares"). Pursuant to Section 7(6) of the Companies Act, Cap. 50, WIHL is deemed to be interested in the WIL shares. Accordingly, Mr Kuok Khoon Hong, Mr Martua Sitorus, Archer Daniels Midland Company, Archer Daniels Midland Asia-Pacific Limited and Golden Parklane Limited are also deemed to be interested in the WIL shares via their interests in WIHL.

Statistics of Shareholdings

TWENTY LARGEST SHAREHOLDERS AS AT 12 MARCH 2007

No.	Name of Shareholders	No. of Shares	%
1	Wilmar Holdings Pte Ltd	1,675,000,000	66.13
2	DBS Nominees Pte Ltd *	416,515,607	16.44
3	Raffles Nominees Pte Ltd	149,648,265	5.91
4	Citibank Nominees Singapore Pte Ltd	56,944,561	2.25
5	Morgan Stanley Asia (Singapore) Securities Pte Ltd	47,762,524	1.89
6	Dalex Investments Limited	29,250,000	1.15
7	DBSN Services Pte Ltd	20,055,211	0.79
8	HSBC (Singapore) Nominees Pte. Ltd.	20,044,800	0.79
9	CIMB-GK Securities Pte. Ltd.	6,918,331	0.27
10	Beh Hang Chwee	4,941,000	0.20
11	United Overseas Bank Nominees Pte Ltd	3,068,500	0.12
12	UOB Kay Hian Pte Ltd	2,588,900	0.10
13	Phillip Securities Pte Ltd	2,517,300	0.10
14	Merrill Lynch (Singapore) Pte Ltd	2,471,550	0.10
15	Kim Eng Securities Pte Ltd	2,419,300	0.10
16	OCBC Securities Private Ltd	2,217,246	0.09
17	DBS Vickers Securities (S) Pte Ltd	1,934,000	0.08
18	DB Nominees (S) Pte Ltd	1,487,500	0.06
19	Macquarie Securities (S) Pte Ltd	1,310,600	0.05
20	Kuok Khoon Kuan	1,140,000	0.05
	TOTAL	**2,448,235,195**	**96.67**

* Includes 400,000,000 WIL shares beneficially owned by Wilmar Holdings Pte Ltd

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 12 March 2007, 18.1% of the issued ordinary shares of the Company are held in the hands of the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST, which requires at least 10% of a listed issuer's equity securities to be held by the public, is complied with.

Notice of Annual General Meeting

WILMAR INTERNATIONAL LIMITED
Company Registration No.: 199904785Z
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Banyan Room, Lobby Level, Shangri-La Hotel, 22 Orange Grove Road, Singapore 258350 on Thursday, 26 April 2007 at 10.00 am for the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the year ended 31 December 2006 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To approve the Directors' fees of S$150,000 for the year ended 31 December 2006. **(Resolution 2)**

3. To re-elect the following Directors who are retiring in accordance with the Company's Articles of Association:

   (a) Mr Leong Horn Kee (Retiring under Article 104) **(Resolution 3)**

   (b) Mr Martua Sitorus (Retiring under Article 108) **(Resolution 4)**

   (c) Mr Teo Kim Yong (Retiring under Article 108) **(Resolution 5)**

   (d) Mr Yeo Teng Yang (i) (Retiring under Article 108) **(Resolution 6)**

   (e) Mr Tay Kah Chye (ii) (Retiring under Article 108) **(Resolution 7)**

   (f) Mr Kwah Thiam Hock (iii) (Retiring under Article 108) **(Resolution 8)**

   (g) Mr William Henry Camp (iv) (Retiring under Article 108) **(Resolution 9)**

      (i) Mr Yeo Teng Yang will, upon re-election as a Director of the Company, remain as member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of Singapore Exchange Securities Trading Limited.

      (ii) Mr Tay Kah Chye will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of Singapore Exchange Securities Trading Limited.

      (iii) Mr Kwah Thiam Hock will, upon re-election as a Director of the Company, remain as member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of Singapore Exchange Securities Trading Limited.

      (iv) Mr Yu Hung Yen, Stephen will continue to remain as an Alternate Director to Mr William Henry Camp upon the re-election of Mr Camp as a Director of the Company.

4. To re-appoint Ernst & Young as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**

AS SPECIAL BUSINESS
To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:

5. **Renewal of Shareholders' Mandate for Interested Person Transactions**

That:

(a) approval be and is hereby given, for the renewal of the mandate for the purposes of Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies (within the meaning of the said Chapter 9) or any of them to enter into transactions falling within the categories of Interested Person Transactions as set out in the Company's Addendum to Shareholders dated 10 April 2007 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2006 (the "Addendum")), with any party who is of the class or classes of Interested Persons described in the Addendum, provided that such transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders and are in accordance with the procedures as set out in the Addendum (the "IPT Mandate");

(b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier; and

(c) the Directors of the Company and/or any of them be and are hereby authorised to do all such acts and things (including, without limitation, executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.
(See Explanatory Note 1) **(Resolution 11)**

6. **Authority to allot and issue shares in the capital of the Company**
That, pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company to:

(a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; and

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit.

(b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the issued shares in the capital of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the issued shares in the capital of the Company, and for the purpose of this resolution, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this resolution is passed, after adjusting for:

    (1) new shares arising from the conversion or exercise of convertible securities that may be approved by shareholders from time to time;

    (2) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed; and

    (3) any subsequent consolidation or subdivision of the Company's shares; and

(ii) the authority conferred by this resolution shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required of the Company by law to be held, whichever is the earlier.
(See Explanatory Note 2) **(Resolution 12)**

7. **Authority to grant options and issue shares under the Executives' Share Option Scheme of the Company**
That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Executives' Share Option Scheme of the Company (the "Share Scheme") and, pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Share Scheme, provided that the aggregate number of shares to be issued pursuant to the Share Scheme shall not exceed 15% of the issued shares in the capital of the Company from time to time, as determined in accordance with the provisions of the Share Scheme. (See Explanatory Note 3) **(Resolution 13)**

By Order of the Board
Colin Tan Tiang Soon
Company Secretary

Singapore
10 April 2007

Notice of Annual General Meeting

Explanatory Notes:

1. The Ordinary Resolution 11 proposed in item no. 5 above, if passed, will renew effective up to the next Annual General Meeting (unless earlier revoked or varied by the Company in general meeting) the IPT Mandate for the Company, its subsidiaries and associated companies that are considered "entities at risk" to enter in the ordinary course of business into certain types of transactions with specified classes of the Company's interested persons. The IPT Mandate, approval of which was previously given by shareholders at the Extraordinary General Meeting of the Company held on 7 July 2006, will be expiring at the forthcoming Annual General Meeting. Information relating to the renewal of the IPT Mandate can be found in the Addendum to this Notice.

2. The Ordinary Resolution 12 proposed in item no. 6 above, if passed, will authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the issued shares in the capital of the Company of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 20% of the issued shares in the capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

3. The Ordinary Resolution 13 proposed in item no. 7 above, if passed, will empower the Directors of the Company to offer and grant options under the Executives' Share Option Scheme ("Share Scheme") and to allot and issue shares pursuant to the exercise of such options under the Share Scheme.

Notes:

1. A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead.
2. A proxy need not be a Member of the Company.
3. If the appointor is a corporation, the proxy, must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument or form appointing a proxy, duly executed, must be deposited at the office of Tricor Barbinder Share Registration Services at 8 Cross Street, #11-00 PWC Building, Singapore 048424 not less than 48 hours before the time appointed for the Meeting.

WILMAR INTERNATIONAL LIMITED

Company Registration No.: 199904785Z
(Incorporated in the Republic of Singapore)

IMPORTANT

1. For investors who have used their CPF monies to buy WILMAR INTERNATIONAL LIMITED shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We ____ (Name)

of ____ (Address)

being a *member/members of Wilmar International Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or delete as appropriate.

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Banyan Room, Lobby Level, Shangri-La Hotel, 22 Orange Grove Road, Singapore 258350 on Thursday, 26 April 2007 at 10.00 am and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1	To receive and adopt the Audited Accounts for the year ended 31 December 2006 and the Reports of the Directors and Auditors thereon.		
2	To approve the payment of Directors' fees.		
3	To re-elect Mr Leong Horn Kee (retiring under Article 104) as a Director.		
4	To re-elect Mr Martua Sitorus (retiring under Article 108) as a Director.		
5	To re-elect Mr Teo Kim Yong (retiring under Article 108) as a Director.		
6	To re-elect Mr Yeo Teng Yang (retiring under Article 108) as a Director.		
7	To re-elect Mr Tay Kah Chye (retiring under Article 108) as a Director.		
8	To re-elect Mr Kwah Thiam Hock (retiring under Article 108) as a Director.		
9	To re-elect Mr William Henry Camp (retiring under Article 108) as a Director.		
10	To re-appoint Ernst & Young as auditors and to authorise the Directors to fix their remuneration.		
11	To approve the renewal of IPT Mandate as described in the Addendum to Notice of Annual General Meeting dated 10 April 2007.		
12	To authorise Directors to issue shares in the Company.		
13	To authorise Directors to offer and grant options under the Executives' Option Scheme of the Company ("Share Scheme") and to issue shares in accordance with the provisions of the Share Scheme.		

Dated this ____________________ day of ________________________ 2007.

____
Signature(s) of Member(s)/Common Seal

** Delete accordingly*

IMPORTANT – Please read notes overleaf

Total Number of Shares Held	

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of Tricor Barbinder Share Registration Services at 8 Cross Street, #11-00 PWC Building, Singapore 048424 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.


Observation tower at plantation in Padang, Sumatra

Wilmar International Limited

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