

Risk Assessment And Management *(CONT'D)*

In the event that there is a disproportionate number of warranty claims for rectification and repair works, our financial performance would be adversely affected. However, with our strong focus on quality and workmanship, we have not experienced significant warranty claims for the past three financial years.

13. Financial risks

The Group is exposed to a variety of financial risks, namely credit risks, interest rate and foreign currency fluctuations, and liquidity risks. We have provided some details on how we manage these risks on pages 129 to 135 of the Annual Report (under the Notes to the Financial Statements).

14. Industry hazards, especially in the Oil & Gas industry

Safety is paramount for all our projects, and this is especially critical in work sites related to the Oil & Gas industry, due to the nature of the operating environment. Our safety controls and guidelines follow strictly to the standards, laws and regulations dictated by clients as well as the regulatory authorities. Our safety policy is based primarily on identifying and applying safe workplace practices at all work sites, for our own as well as sub-contractors' employees. We conduct regular health and safety seminars to inculcate a safety culture for staff at all levels, including new recruits, particularly in the first six months of employment. We have a pool of dedicated safety and environmental control officers, site engineers and site supervisors who have the responsibility to ensure that all workers and work sites are equipped with suitable safety management procedures. Fire safety drills are carried out at least twice a year to ensure that our fire safety personnel are prepared at all times and in the event industrial accidents happen.

We may be liable for fines and penalties if we breach workplace safety or regulatory requirements and should this occur, our operations and financial performance may be adversely affected. To prevent this from happening, we are committed to maintaining our high quality standards, enhancing productivity, and improving workplace safety at all times.

15. Sub-contracting risks

We rely on sub-contractors to provide services for our projects, including piling, asphalt works, painting, thermoplastic markings, metalworks and traffic signage, landscaping and sewer works. These sub-contractors are selected based on their competitiveness in terms of pricing, our working experience with them, and their past performance. We cannot assume that the services rendered by these sub-contractors will continue to be satisfactory or that they will meet our requirements for quality at all times.

In the event of any loss or damage which arises from the default of the sub-contractors engaged by us, we, being the main contractor, will nevertheless be liable for our sub-contractors' default. Furthermore, these sub-contractors may experience financial or other difficulties that may affect their ability to carry out the work for which they were contracted, thus delaying the completion of or failing to complete our civil engineering projects or resulting in additional costs for us. Any of these factors would have a material adverse effect on our business, financial condition and results of operations.

Corporate Governance Report

At OKP, we are committed to ensuring high standards of corporate governance. We believe that sound corporate governance principles and practices will improve corporate transparency, accountability, performance and integrity, and at the same time protect and enhance shareholders' value.

The Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires all listed companies to describe, in their Annual Reports, their corporate governance practices, with specific reference to the principles of the Singapore Code of Corporate Governance introduced in April 2001 and amended in 2005 ("the Code").

We have presented our corporate governance policies and practices on each of the principles of the Code in a tabular form, stipulating each principle and guideline, and explaining the deviations from the Code. The Board of Directors is pleased to confirm that the Company has adhered to the principles and guidelines of the Code as well as the Listing Manual of the SGX-ST where appropriate.

1. BOARD MATTERS

The Board's Conduct of its Affairs

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

Our Policy and Practices:

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

- Reviewing and approving the corporate policies, strategies, budgets and financial plans of the Company;
- Monitoring financial performance, including approval of the full year and quarterly financial reports of the Company;
- Approving major investment and funding decisions;
- Reviewing the evaluation process on the adequacy of internal controls, risk management, financial reporting and compliance;
- Overseeing the business and affairs of the Company, establishing the strategies and financial objectives to be implemented by the Management and monitoring the performance of the Management; and
- Assuming responsibilities for corporate governance.

The Board is made up of one-third non-Executive Directors who are independent of the Management and have the right core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively. Every Director is expected, in the course of carrying out his duties, to act in good faith, provide insights and consider at all times, the interest of the Company.

The Board oversees the management of the Company. It focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the Executive Directors.

The Board has established three board committees ("Board Committees") to assist in the execution of its responsibilities. They are the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC"). The terms of reference and compositions of each board committee are presented in the following sections of this Report.

Guideline 1.1 of the Code: The Board's role

Guideline 1.2 of the Code: Directors to act in the interest of the Company

Guideline 1.3 of the Code: Disclosure on delegation of authority by Board to Board Committees

Corporate Governance Report (CONT'D)

The Board held four scheduled meetings in the financial year ended 31 December 2010. Ad hoc Board meetings are also held whenever the Board's guidance or approval is required, outside of the scheduled Board meetings.

Guideline 1.4 of the Code: Board to meet regularly

The attendance of the Directors at scheduled meetings of the Board and Board Committees during the financial year ended 31 December 2010 is disclosed below:-

	Board	BOARD COMMITTEES		
		Audit	Remuneration	Nominating
Number of scheduled meetings held	4	4	2	1
Name of Directors				
Mr Or Kim Peow	4	4	2	1
Mr Or Toh Wat	4	4	2	1
Mdm Ang Beng Tin	4	4	2	1
Mr Or Kiam Meng	4	4	2	1
Mr Oh Enc Nam	4	4	2	1
Mr Or Lay Huat Daniel	4	4	2	1
Dr Chen Seow Phun, John	4	4	2	1
Mr Nirumalan s/o Kanapathi Pillai	4	4	2	1
Mr Tan Boen Eng	4	4	2	1

Dates of Board, Board Committee and annual general meetings are scheduled in advance in consultation with the Directors to assist the Directors in planning their attendance. A Director who is unable to attend a Board meeting can still participate in the meeting via telephone conference, video conference or other means of similar communication. Telephonic attendance and conference via audio communication at Board meetings are allowed under Article 120(2) of the Company's Articles of Association.

We believe that contributions from each Director can be reflected in ways other than the reporting of attendances of each Director at Board and/or Board Committee meetings. A Director would have been appointed on the strength of his or her calibre, experience and stature, and his or her potential to contribute to the proper guidance of the Group and its businesses.

To focus on a Director's attendance at formal meetings alone may lead to a narrow view of a Director's contribution. It may also not do justice to his or her contribution which can be in many different forms, including Management's access to him or her for guidance or exchange of views outside the formal environment of Board meetings. In addition, he or she may initiate relationships strategic to the interests of the Group.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Under the guidelines, all new investments, any increase in investment in businesses and subsidiaries, and any divestments by any of the Group's companies, and all commitments to term loans and lines of credit from banks and financial institutions by the Company require the approval of the Board.

Guideline 1.5 of the Code: Matters requiring Board approval

Every Executive Director receives appropriate training to develop individual skills in order to discharge his or her duties. The Group also provides extensive information about its history, mission and values to the Directors. The Directors may, at any time, visit the Group's construction sites in order to gain a better understanding of business operations. There are also update sessions to inform the Directors on new legislations and/or regulations which are relevant to the Group. Changes to regulations and accounting standards are monitored closely by Management. To keep pace with regulatory changes, where these changes have an important bearing on the Company's or Directors' disclosure obligations, Directors are briefed at Board meetings.

Guidelines 1.6 and 1.8 of the Code: Directors to receive appropriate training

Newly-appointed Directors will be briefed on the business and organisation structure of the Group and its strategic plans and objectives. All Directors are appointed to the Board by way of a formal letter of appointment or service agreement setting out the scope of their duties and obligations.

Guideline 1.7 of the Code: Formal letter to be provided to Directors setting out their duties

Board Composition and Guidance

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

Our Policy and Practices:

Currently, the Board consists of nine Directors of whom three are considered independent by the Board. There is a strong independent element on the Board, with independent Directors constituting one-third of the Board. This enables Management to benefit from their external, diverse and objective perspective of issues that are brought before the Board. It also allows the Board to interact and work with Management through a constructive exchange of ideas and views to shape the strategic process.

Guideline 2.1 of the Code: One-third of directors to be independent

The independence of each Director is reviewed by the NC on an annual basis. Annually, each Director is required to complete a checklist to confirm his/her independence. The checklist is drawn up based on the guidelines provided in the Code. The NC adopts the Code's definition of what constitutes an independent Director in its review. One of the Directors, Mr Nirumalan s/o V Kanapathi Pillai is the Senior Director of Global Law Alliance LLC (incorporating Niru & Co) which provides legal and professional services to the Group. The NC is of the view that the business relationship with Global Law Alliance LLC will not interfere with the exercise of independent judgement by Mr Pillai in his role as an Independent Director as matters involving the Group are usually handled by the other directors of Global Law Alliance LLC.

Guideline 2.2 of the Code: Disclosure of Director's relationship

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominate the Board's decision-making process.

Guideline 2.3 of the Code: Board to determine its appropriate size

The Board comprises businessmen with vast business or management experience, industry knowledge, strategic planning experience and includes professionals with financial, accounting and legal backgrounds. Profiles of the Directors are found in the "Board of Directors" section of the Annual Report. The NC is of the view that the current Board comprises persons who, as a group, provide capabilities required for the Board to be effective.

Guideline 2.4 of the Code: Board to comprise Directors with core competencies

The Independent Directors did not meet during the financial year ended 31 December 2010 without the presence of the Management as they did not deem it necessary.

Guidelines 2.5 and 2.6 of the Code: Role of non-executive directors and regular meetings of non-executive directors

Note:

- (1) According to the Code, an "independent" Director is defined as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

Corporate Governance Report (CONT'D)

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company’s business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Our Policy and Practices:

The Company believes that a distinctive separation of responsibilities between the Group’s Chairman (“Group Chairman”) and the Group’s Managing Director (“Group MD”) will ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The posts of Group Chairman and Group MD are held by Mr Or Kim Peow and Mr Or Toh Wat respectively. Mr Or Toh Wat is the son of Mr Or Kim Peow. Both are Executive Directors.

Guideline 3.1 of the Code: Chairman and CEO should be separate persons

As Group Chairman, Mr Or Kim Peow is primarily responsible for overseeing the overall management and strategic development of the Group. His responsibilities include:

Guideline 3.2 of the Code: Chairman’s role

- Determining the Group’s strategies;
- Promoting high standards of corporate governance;
- Ensuring effective succession planning for all key positions within the Group;
- Scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group’s operations;
- Setting the meeting agenda (in consultation with the Group MD);
- Assisting in ensuring the Group’s compliance with the Code;
- Ensuring that Board meetings are held when necessary; and
- Reviewing most board papers before they are presented to the Board.

As Group MD, Mr Or Toh Wat is responsible for effectively managing and supervising the day-to-day business operations in accordance with the strategies, policies and business plans approved by the Board. Mr Or Toh Wat executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of the Group’s businesses. His responsibilities include:

- Executing and developing the Group’s strategies and business objectives;
- Reporting to the Board on all aspects of the Group’s operations and performance;
- Providing quality leadership and guidance to employees of the Group; and
- Managing and cultivating good relationship and effective communication with the media, shareholders, regulators and the public.

Both the Group Chairman and the Group MD exercise control over the quality, quantity and timeliness of information flow between the Board and the Management.

The Board appointed Dr Chen Seow Phun, John as Lead Independent Director (“LID”) on 1 August 2006 to lead and coordinate the activities of the Independent Directors. The LID aids the Independent Directors to constructively challenge and assist in the development of proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. The LID also coordinates sessions for the Independent Directors to meet. The LID is available to shareholders where they have concerns for which contact through the normal channels of the Group Chairman or Group MD has failed to resolve or for which such contact is inappropriate.

Guideline 3.3 of the Code: Appointment of LID where Chairman and CEO are Executives

Board Membership

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

Our Policy and Practices:

The NC was formed on 10 July 2002 and now comprises Mr Tan Boen Eng, Dr Chen Seow Phun, John, and Mr Nirumalan s/o V Kanapathi Pillai, all of whom are non-Executive and Independent Directors. The Chairman of the NC is Mr Tan Boen Eng. Mr Tan is not associated with a substantial shareholder, thus complying with the requirement in Guideline 4.1 of the Code.

Guideline 4.1 of the Code: NC to recommend all Board appointments

The main terms of reference of the NC are as follows:

- To review nominations for the appointment and re-appointment to the Board and the various Board Committees;
- To decide on how the Board’s performance may be evaluated, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director;
- To decide, where a Director has multiple board representations, whether the Director is able to and has been adequately carrying out his duties as Director of the Company;
- To ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years; and
- To determine on an annual basis whether or not a Director is independent.

The NC is charged with the responsibility of re-nominating the Directors. Pursuant to Article 107 of the Company’s Articles of Association, one-third of the Directors (except the Group MD) shall retire from office at least once every three years at the Company’s Annual General Meeting (“AGM”). In addition, Article 109 provides that the retiring Directors are eligible to offer themselves for re-election. Directors of over 70 years of age are required to be re-elected every year at the AGM under Section 153(6) of the Companies Act before they can continue to act as a Director. Article 112 provides that each term of appointment of the Group MD shall not exceed five years.

Guideline 4.2 of the Code: NC responsible for re-nomination of Directors

The NC is also charged with determining annually whether or not a Director is independent. Annually, each Director is required to complete a checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code. The NC is of the view that the non-Executive Directors are independent.

Guideline 4.3 of the Code: NC to determine Directors’ independence annually

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

Guideline 4.4 of the Code: Ensure Directors with multiple board representations give sufficient time and attention to the Company

When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. In its search and nomination process for new Directors, the NC has, at its disposal, search companies, personal contacts and recommendations for the right candidates.

Guideline 4.5 of the Code: Description of process for selection and appointment of new Directors to be disclosed

Corporate Governance Report (CONT'D)

Information required in respect of the academic and professional qualification, directorship or chairmanship, both present and those held over the preceding three years in other listed companies, is set out in the "Board of Directors" section of the Annual Report. In addition, information on shareholdings in the Company held by each Director is set out in the "Directors' Report" section of the Annual Report.

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

Name	Age	Position	Date of initial appointment	Date of last re-election
Mr Or Kim Peow	76	Group Chairman	15 February 2002	21 April 2010
Mr Or Toh Wat	43	Group Managing Director	15 February 2002	Not Applicable
Mdm Ang Beng Tin	55	Executive Director	20 March 2002	20 April 2009
Mr Or Kiam Meng	46	Executive Director	20 March 2002	21 April 2008
Mr Oh Enc Nam	55	Executive Director	20 March 2002	21 April 2010
Mr Or Lay Huat Daniel	33	Executive Director	1 August 2006	21 April 2010
Dr Chen Seow Phun, John	57	Lead Independent Director	25 June 2002	21 April 2008
Mr Nirumalan s/o V Kanapathi Pillai	58	Independent Director	1 June 2005	20 April 2009
Mr Tan Boen Eng	78	Independent Director	25 June 2002	21 April 2010

Board Performance

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

Our Policy and Practices:

We believe that the Board's performance is ultimately reflected in the performance of the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interests of the Company and its shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led and managed. The Board's performance is also tested through its ability to lend support to the Management, especially in times of crisis and to steer the Group in the right direction.

Based on the recommendations of the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of individual Directors.

(a) Evaluation of the effectiveness of the Board as a whole

The NC assesses the Board's effectiveness as a whole by completing a Board Assessment Checklist. The Board Assessment Checklist takes into consideration factors such as the Board's structure, conduct of meetings, risk management and internal control, and the Board's relationship with Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators as well as share price performance. The selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes.

(b) Evaluation of the effectiveness of individual Directors

At the end of each financial year, the NC will evaluate the performance of each Director. The criteria include the level of participation in the Company such as his commitment of time to the Board and Board Committee meetings and his performance of tasks delegated to him.

Guideline 4.6 of the Code: Key information regarding directors

The NC is of the view that the primary objective of the assessment exercise is to create a platform for the Board members to encourage exchange of feedback on the Board's strengths and shortcomings with a view to strengthening the effectiveness of the Board as a whole. The NC met once and conducted its assessment in respect of the financial year ended 31 December 2010.

Guidelines 5.2, 5.3, 5.4 and 5.5 of the Code: Evaluation of Board's performance criteria

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

Our Policy and Practices:

We believe that the Board should be provided with timely and complete information prior to Board meetings and as and when the need arises. The Management provided members of the Board with quarterly management accounts, as well as relevant background information relating to the matters that were discussed at the Board meetings. Detailed board papers are sent out to the Directors before the scheduled meetings so that the Directors may better understand the issues beforehand, allowing for more time at such meetings for questions that Directors may have. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed.

Guidelines 6.1 and 6.2 of the Code: Management obliged to provide Board with adequate and timely information and include background and explanatory information

All the Independent Directors have unrestricted access to the Company's senior management via telephone, e-mail and meetings.

Guideline 6.1 of the Code: Board should have separate and independent access to senior management

Directors have separate and independent access to the Company Secretary. The role of the Company Secretary is clearly defined and includes responsibility for ensuring that the Board's procedures are followed and that applicable rules and regulations are complied with. The Company Secretary administers, attends and prepares minutes of all board meetings and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act and the Listing Manual of the SGX-ST. He is also the channel of communications between the Company and the SGX-ST. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

Guidelines 6.3 and 6.4 of the Code: Directors should have separate and independent access to Company Secretary; role of Company Secretary to be clearly defined; and appointment and removal of Company Secretary should be a matter for the Board as a whole.

Guideline 5.1 of the Code: Board to implement process to address Board's performance and disclose the process in Annual Report

Corporate Governance Report (CONT'D)

Each member of the Board has direct access to the Group's independent professional advisors as and when necessary to enable each member to discharge his responsibility effectively. Any cost of obtaining professional advice will be borne by the Company.

Guideline 6.5 of the Code: Procedure for Board to take independent professional advice at company's cost

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Our Policy and Practices:

We believe that a framework of remuneration for the Board and key executives should be linked to the development of Management's strength and key executives to ensure that there is a continual development of talent and renewal of strong and sound leadership for the continued success of the Company.

The RC was formed on 10 July 2002 and comprises entirely Independent Directors, namely:

Mr Nirumalan s/o V Kanapathi Pillai (Chairman)
Dr Chen Seow Phun, John (Member)
Mr Tan Boen Eng (Member)

None of the RC members or Directors is involved in deliberations in respect of any remuneration, compensation or any form of benefit to be granted to him.

The RC recommends to the Board a framework of remuneration for the Board and key executives to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximise shareholders' value. The members of the RC do not participate in any decisions concerning their own remuneration.

Guideline 7.1 of the Code: RC to consist of entirely non-executive Directors

Guideline 7.2 of the Code: RC to recommend remuneration of Directors and CEO, and review remuneration of senior management

The main terms of reference of the RC are as follows:

- To recommend to the Board a framework of remuneration for Board members and key executives which covers all aspects of remuneration including directors' fees, salaries, allowances, bonuses and benefits-in-kind;
- To determine specific remuneration packages for each Executive Director;
- To determine the appropriateness of the remuneration of non-Executive Directors taking into consideration the level of their contribution;
- To review and recommend to the Board the terms of renewal of the service agreements of Executive Directors; and
- To consider the disclosure requirements for Directors' and key executives' remuneration as required by the SGX-ST.

The RC members are familiar with executive compensation matters as they manage their own businesses and/or are holding directorships in the boards of other listed companies. The RC has access to appropriate external expert advice in the field of executive compensation if necessary.

Guideline 7.3 of the Code: RC to seek expert advice

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Our Policy and Practices:

The Company has a staff remuneration policy which comprises a fixed component and a variable component. The fixed component comprises basic salary plus other fixed allowances. The variable component is linked to the performance of the Company and individual. In the financial year ended 31 December 2010, variable or performance related income/bonus made up 52% to 61% of the total remuneration of each Director. The remuneration package is designed to enable the Company to stay competitive and allows the Company to better align executive compensation with shareholders' value creation.

Guideline 8.1 of the Code: Package should align executive Directors' interest with shareholders' interest

All Independent and non-Executive Directors have no service agreements with the Company. They are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Independent Directors. The Directors' fees are subject to approval by the shareholders at each AGM. Except as disclosed, the Independent and non-Executive Directors do not receive any remuneration from the Company.

Guideline 8.2 of the Code: Remuneration of independent directors dependent on contribution, effort, time spent and responsibilities

The RC has reviewed and approved the service agreements of all the Executive Directors in the financial year ended 31 December 2010. Each of the Executive Directors has a formal service agreement which is automatically renewed on a yearly basis. There are no excessively long or onerous removal clauses in these service agreements. The service agreements may be terminated by the Company giving the Executive Director one month's notice in writing, or in lieu of notice, payment of one month's salary based on the Executive Director's last drawn salary. Executive Directors are not paid directors' fees.

Guidelines 8.3 and 8.6 of the Code: Fixed appointment period for executive Directors and notice period for service contract to be 6 months or less

Currently, the Company does not have any long-term incentive schemes.

Guideline 8.4 of the Code: Long-term incentive schemes are encouraged

In setting remuneration packages, the RC ensures that the Directors are adequately but not excessively remunerated as compared to the industry and in comparable companies. The Company benchmarks the Directors' annual fixed salary at the market median with the variable compensation being performance driven.

Guideline 8.5 of the Code: Remuneration comparison within industry

Corporate Governance Report (CONT'D)

Disclosure on Remuneration

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

Our Policy and Practices:

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the top five key executives (who are not Directors of the Company) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Corporate Governance Report and in the financial statements of the Company.

Guidelines 9.1 and 9.2 of the Code: Remuneration of Directors and top 5 key executives

A breakdown showing the level and mix of each individual Director's remuneration in the financial year ended 31 December 2010 is as follows:

The level and mix of remuneration of each of Directors for the financial year ended 31 December 2010

Remuneration Band & Name of Director	Base / fixed salary*	Variable or performance related income / bonuses	Director's fees**	Director's allowance	Benefits-in-kind	Total
\$750,000 to \$1,000,000						
Mr Or Kim Peow	38%	52%	–	8%	2%	100%
Mr Or Toh Wat	32%	60%	–	6%	2%	100%
Mdm Ang Beng Tin	32%	60%	–	6%	2%	100%
Mr Or Kiam Meng	32%	60%	–	6%	2%	100%
Mr Oh Enc Nam	32%	61%	–	6%	1%	100%
Mr Or Lay Huat Daniel	32%	60%	–	6%	2%	100%
\$250,000 to \$749,999						
Nil						
Below \$250,000						
Dr Chen Seow Phun, John	–	–	100%	–	–	100%
Mr Nirumalan s/o V Kanapathi Pillai	–	–	100%	–	–	100%
Mr Tan Boen Eng	–	–	100%	–	–	100%

Notes:

* Inclusive of allowances and Central Provident Fund contributions

** These fees are subject to the approval of the shareholders at the forthcoming AGM

A breakdown showing the level and mix of the top five key executives (who are not Directors of the Company) in the financial year ended 31 December 2010 is as follows:

The level and mix of each of the Key Executives for the financial year ended 31 December 2010

Remuneration Band & Name of Key Executive	Base / fixed salary*	Variable or performance related income / bonuses	Benefits-in-kind	Total
Below \$250,000				
Ms Ong Wei Wei	62%	24%	14%	100%
Mr Or Yew Whatt ^{(1), (3)}	67%	25%	8%	100%
Mr Oh Kim Poy ^{(2), (3)}	64%	22%	14%	100%

* Inclusive of allowances and Central Provident Fund contributions

(1) Mr Or Yew Whatt is the nephew of Mr Or Kim Peow, who is the Executive Chairman of the Company.

(2) Mr Oh Kim Poy is the brother of Mr Or Kim Peow, who is the Executive Chairman of the Company.

(3) Both Mr Or Yew Whatt and Mr Oh Kim Poy are directors of a subsidiary of the Company.

No employee of the Company and its subsidiaries was an immediate family member of a Director and whose remuneration exceeded \$150,000 during the financial year ended 31 December 2010. "Immediate family member" means spouse, child, adopted child, step-child, brother, sister and parent.

Guideline 9.3 of the Code: Disclosure of remuneration of employees who are immediate family members of Director whose remuneration exceeds \$150,000

Currently, the Company does not have any employee share schemes.

Guideline 9.4 of the Code: Details of employees' share schemes

Corporate Governance Report (CONT'D)

3. ACCOUNTABILITY AND AUDIT

Accountability

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

Our Policy and Practices:

The Board has always believed that it should conduct itself in ways that deliver maximum sustainable value to the shareholders. The Board promotes best practices as a means to build an excellent business for the shareholders. The Board is accountable to shareholders for the Company's performance.

Prompt fulfilment of statutory reporting requirements is but one way to maintain the shareholders' confidence and trust in the Board's capability and integrity. The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to reports to regulators. Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET, press releases and the Company's website. The Board will review and approve the financial reports before their release. The Board will also review and approve any press releases concerning the Company's financial results. The Company's Annual Report is available on request and accessible on the Company's website.

The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis. Furthermore, the Management has been providing all the Executive Directors (who represent more than 60% of the Board) with monthly consolidated financial reports. However, such monthly consolidated financial reports may not always be reflective of the true and fair view of the financial position of the Group.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

Our Policy and Practices:

The AC has written terms of reference that are approved by the Board and clearly set out its responsibilities.

Guideline 10.1 of the Code: Board's responsibility to provide balanced, understandable assessment of Company's performance and position on interim basis

Guideline 10.2 of the Code: Management should provide Board with management accounts on a monthly basis

Guideline 11 of the Code: Board to establish AC with written terms of reference

The AC of the Company was formed on 10 July 2002 and comprises entirely Independent Directors, namely:

Dr Chen Seow Phun, John (Chairman)
Mr Nirumalan s/o V Kanapathi Pillai (Member)
Mr Tan Boen Eng (Member)

The AC carries out its functions in accordance with the Companies Act and the Code. The terms of reference of the AC are as follows:

- To review the Company's independent auditor's annual audit plan to ensure that the plan covers sufficiently in terms of audit scope in the review of the significant controls of the Company;
- To review the independent auditor's reports;
- To review the cooperation given by the Company's officers to the independent auditor;
- To review the adequacy of the Company's internal controls;
- To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- To review the cost effectiveness of the independent audit, and where the independent auditor provides non-audit services to the Company, to review the nature, extent and costs of such services so as to avoid an erosion of the independence and objectivity of the independent auditor;
- To evaluate the quality of work performed by independent auditor;
- To review the Company's quarterly and full-year results announcements, the financial year statements of the Company and the consolidated financial statements of the Group before submission to the Board for approval of release of the results announcement to the SGX-ST;
- To recommend to the Board the appointment, re-appointment or removal of the independent auditor and approve the remuneration and terms of engagement of the independent auditor; and
- To review all interested person transactions to ensure that each has been conducted on an arm's length basis.

The AC members were selected based on their expertise and prior experience in the area of financial management. Dr Chen Seow Phun, John is a businessman. Mr Nirumalan s/o V Kanapathi Pillai is the Senior Director of a law firm and Mr Tan Boen Eng is a certified public accountant by profession. The Board is of the view that all members of the AC have accounting or related financial management expertise and experience to discharge their responsibilities as members of the committee.

The AC is authorised to investigate any matter within its terms of reference, and has full access to and cooperation of the Management. The AC has full discretion to invite any Director or executive officer to attend its meetings, as well as access to reasonable resources to enable it to discharge its function properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the independent auditor.

The AC met four times in the financial year ended 31 December 2010. Minutes of AC meetings are circulated to Directors by the Company Secretary.

The AC has reviewed and is satisfied with the standard of the independent auditor's work. The AC has also reviewed the volume of non-audit services provided to the Company by the independent auditor for which the independent auditor received fees of \$19,400, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditor, has confirmed their re-nomination.

Guideline 11.1 of the Code: AC should comprise at least three directors, all non-executive, and the majority of whom, including the Chairman, are independent

Guidelines 11.4 and 11.8 of the Code: Duties of AC

Guideline 11.2 of the Code: Board to ensure AC members are qualified

Guideline 11.3 of the Code: AC to have explicit authority to investigate and have full access to Management and reasonable resources

Guideline 11.6 of the Code: AC to review independence of external auditors annually

Corporate Governance Report (CONT'D)

The AC met with the independent auditor four times for the financial year ended 31 December 2010 including once in February 2011 without the presence of the Management. These meetings enable the independent auditor to raise issues encountered in the course of their work directly to the AC.

Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy in December 2006 to provide employees with an avenue to raise concerns about possible improprieties in financial reporting or other matters, and the AC was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

Following the implementation of the whistle-blowing policy, a set of fraud policy which was reviewed by the AC and approved by the Board, was issued to assist the AC in managing allegations of fraud, corruption, dishonest practices or other misconduct which may be made, so that:

- (a) All cases reported are objectively investigated, treated fairly and, to the extent possible, be protected from reprisal;
- (b) Appropriate remedial measures are taken where warranted; and
- (c) Appropriate action is taken to correct the weaknesses in the existing system of internal processes and policies which allowed the perpetration of the fraud and/or misconduct, and to prevent a recurrence.

A whistle-blower email address is created for reporting suspected fraud, corruption, dishonest practices or other similar matters. Details of the whistle-blowing policies and arrangements have been made available to all employees of the Company.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the company's assets.

Our Policy and Practices:

We believe in the need to put in place a system of internal controls to safeguard shareholders' interests and the Group's assets, and to manage risks.

The AC acknowledges that the Group's system of internal and operational controls has a key role in the identification and management of risks that are significant to the achievement of its business objectives. While no cost-effective internal control system can provide absolute assurance against loss or mis-statement, the Group's internal controls and systems have been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected, proper accounting records are maintained and financial information used within the business and for publication, are reasonable and accurate. Procedures are in place to identify major business risks and evaluate potential financial effects. In addition, the AC reviews the effectiveness of internal and operational controls and risk management on an annual basis.

The Company's independent auditor, Nexia TS Public Accounting Corporation, carried out during the course of their audit, a review of the effectiveness of the Company's material internal controls. Nothing has come to the AC's attention to cause the AC to believe that the system of internal controls and risk management is inadequate.

Guideline 11.5 of the Code: AC to meet external auditors without the presence of management, annually

Guideline 11.7 of the Code: AC to review arrangements for staff to raise concerns/ possible improprieties to AC

Guideline 12.1 of the Code: AC to review adequacy of financial, operational and compliance controls and risk management policies

Guideline 12.2 of the Code: Board to comment on adequacy of the internal controls

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

Our Policy and Practices:

The Company had in the past not engaged any internal auditors due to the relatively small size and operations of the Group. However, as the operations of the Group have grown substantially in the past few years, the Company intends to outsource the internal audit function to an external professional accounting firm to perform the review and test of controls of the Group's processes with effect from the current financial year. The internal auditors will report directly to the AC. The AC will review and approve the annual internal audit plans, and review the scope and the results of the internal audit performed by the internal auditors. The AC will ensure the adequacy of the internal audit function at least annually.

Guideline 13.1 of the Code: IA to report to AC Chairman, and to CEO administratively

Guideline 13.2 of the Code: IA should meet standards set by internationally-recognised professional bodies

Guideline 13.3 of the Code: AC to ensure IA is adequately resourced

Guideline 13.4 of the Code: AC to ensure adequacy of IA function annually

4. COMMUNICATIONS WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Our Policy and Practices:

The Company believes in regular and timely communication with shareholders as part of its organisational development to provide clear and fair disclosure of information about the Group's business developments and financial performance.

Guideline 14.1 of the Code: Company to regularly convey pertinent information

Corporate Governance Report (CONT'D)

The Board is mindful of the obligation to provide shareholders with information on all major developments that affect the Group in accordance with the SGX-ST's Listing Rules and the Companies Act. Information is communicated to shareholders on a timely basis through:

- Annual reports that are prepared and issued to all shareholders within the mandatory period;
- SGXNET and the press;
- The Company's website at <http://www.okph.com> at which shareholders can access information on the Group; and
- Online Q&A forum via the investor relations channel on financial portal at <http://www.shareinvestor.com>.

The Investor Relations ("IR") team regularly communicates with analysts or investors through e-mail communication and telephone to update them on the latest corporate development and at the same time address their queries. For details on the Group's IR activities, please refer to the IR section of the Annual Report.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Our Policy and Practices:

The Articles of Association allow a shareholder to appoint up to two proxies to attend and vote in his or her place at general meetings.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle as regards "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

The Company strives to maintain a high standard of transparency and to promote better investor communications. The Board supports active shareholder participation at Annual General Meetings ("AGMs") and Extraordinary General Meetings and views such General Meetings as the principal forum for dialogue with shareholders. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The full Annual Report is available to all shareholders on the corporate website or upon request. Notices of General Meetings will also be published in the Business Times or other newspapers.

The Group Chairman, Group Managing Director, Board Members, Group Financial Controller and Company Secretary are in attendance at AGMs to take questions and feedback from shareholders. The members of the AC, NC and RC are also present at AGMs to answer questions relating to the work of these committees. The independent auditor, Nexia TS Public Accounting Corporation, is also invited to attend AGMs and will assist in addressing queries from shareholders relating to the conduct of audit and the preparation and content of the auditor's report.

Guideline 14.2 of the Code: Company to disclose information on a timely basis

Guideline 15.1 of the Code: Shareholders should be allowed to vote in absentia

Guideline 15.2 of the Code: Company should avoid "bundling" resolutions

Guideline 15.3 of the Code: Committee Chairman and external auditor to be present at AGM

Currently, the Articles of Association limit the number of proxies for nominee companies.

Guideline 15.4 of the Code: Companies encouraged to amend Articles to avoid imposing limit on number of proxies for nominee companies

5. SECURITIES TRANSACTIONS

The Company has adopted an Internal Code of Conduct on Dealing in the Company's securities. The Code has been modelled along the rules in the Listing Manual of the SGX-ST in respect of dealings in securities.

Directors and all key executives are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's quarterly results or one month before the announcement of the Company's full year results, and ending on the date of the announcement of the results. Directors and all key executives are also reminded to be mindful of the law on insider trading and to ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act, and the Companies Act.

6. MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that there were no material contracts of the Group involving the interests of any Director or controlling shareholder, either still subsisting at the end of financial year ended 31 December 2010 or if not then subsisting, entered into since the end of the financial year ended 31 December 2009.

7. INTERESTED PERSON TRANSACTION

The Company has adopted an internal policy in respect of any transactions with interested persons and has procedures established for the review and approval of the Group's interested person transactions.

The AC meets quarterly to review if the Company will be entering into any interested person transaction.

There was no interested person transaction, as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, entered into by the Group during the financial year ended 31 December 2010.

Corporate Governance Report (CONT'D)

8. RISK MANAGEMENT AND PROCESSES

The Board reviews the Group's business and operational activities to identify areas of significant business risk as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. Information relating to risk management policies and processes are set out on pages 61 to 64 of the Annual Report.

9. UTILISATION OF PROCEEDS

(i) Placement of 13.6 million new ordinary shares at \$0.16821 for each share completed in February 2007 raising net proceeds of \$2.20 million

Use of proceeds	Amount allocated (\$'million)	Amount utilised (\$'million)	Balance amount (\$'million)
To fund expansion of the Group's oil, petrochemical and gas related business in Singapore	2.20	1.15	1.05

The balance unutilised proceeds are deposited with a bank pending deployment.

(ii) Placement of 15.0 million new ordinary shares at \$0.45 for each share completed in May 2009 raising net proceeds of \$6.75 million

Use of proceeds	Amount allocated (\$'million)	Amount utilised (\$'million)	Balance amount (\$'million)
To be used as working capital for the Company's overseas business expansion	6.75	–	6.75

The balance unutilised proceeds are deposited with a bank pending deployment.

(iii) Issuance of 61,822,852 warrants at \$0.01 for each warrant completed in January 2010 raising net proceeds of \$0.62 million

Use of proceeds	Amount allocated (\$'million)	Amount utilised (\$'million)	Balance amount (\$'million)
To be used as general working capital for the Company	0.62	–	0.62

The balance unutilised proceeds are deposited with a bank pending deployment.

(iv) Exercise of 18,531,927 warrants at \$0.20 for each share as at 31 December 2010 raising net proceeds of \$3.71 million

Use of proceeds	Amount allocated (\$'million)	Amount utilised (\$'million)	Balance amount (\$'million)
To be used as general working capital for the Company	3.71	–	3.71

The balance unutilised proceeds are deposited with a bank pending deployment.