

Corporate Governance

Chemoil Energy Limited (the "Company"), is committed to achieving high standards of corporate governance through practices underpinned by integrity, transparency and accountability benchmarked to the Code of Corporate Governance 2005 (the "Code").

Board's Conduct of its Affairs

Principle 1: The Company requires an effective Board to lead the company with due diligence

Chemoil is led by an entrepreneurial Board that establishes the corporate policies and strategic direction to build sustainable value for all shareholders. The Board sets the direction and goals, as well as supervises and monitors the performance of the executive management.

The Board's principal functions are:

- approving major investments, acquisitions, divestments and funding proposals
- approving the annual budgets and financial plans
- regularly reviewing the performance of the Group's business
- approving the periodic and full-year financial results for release to the Singapore Exchange Securities Trading Limited ("SGX-ST")
- recommending dividend payments for shareholders' approval
- ensuring the adequacy and integrity of internal controls, risk management, financial reporting and compliance processes
- assuming responsibility for corporate governance

Two Board Committees support the Board in the execution of their responsibilities, namely:

1. Audit Committee
2. Nominating and Remuneration Committee

The membership and attendance of the members of the Board and Board Committees at Board and Board Committee meetings held in FY2009, respectively, are disclosed in the table below:

| Name of Director | Board Meeting | Audit Committee Meeting | Nominating and Remuneration Committee Meeting |
|--------------------------------|---------------|-------------------------|---|
| Michael Bandy | 10 | NA | NA |
| Vivian Chandran ¹ | 10 | NA | 7 |
| Sharon Chandran ¹ | 8 | NA | NA |
| Masanobu Takagi | 9 | NA | NA |
| Fuminobu Oda | 9 | 7 | NA |
| Michael Lim | 9 | 7 | NA |
| Philip Anderson | 10 | NA | 7 |
| Peter Meade | 10 | 7 | 7 |
| Harrison Chang ¹ | 10 | NA | NA |
| Alexander Beard ² | NA | NA | NA |
| Mark Catton ² | NA | NA | NA |
| Raymond Bartoszek ² | NA | NA | NA |
| No. of Meetings Held | 10 | 7 | 7 |

Notes:

1. Resigned with effect from the date ("Effective Date") of the posting of the circular required to be issued by the Board of Directors of the Company in connection with the mandatory general offer made by DBS Bank Ltd., for and on behalf of Singfuel Investment Pte. Ltd., pursuant to Rule 14 of the Singapore Code on Takeovers and Mergers.

2. Appointed with effect from the Effective Date.

Attendance at Board meetings by telephone and conferencing via audio-visual communication are allowed under the Company's Articles of Association.

Board Composition and Balance

Principle 2: The Company values an independent element on the Board

The Board currently comprises nine Directors; one of whom is an Executive Director, and the remaining being Non-Executive Directors. Three of the eight Non-Executive Directors are Independent Directors. The criteria for independence are determined by the definition provided in the Code.

The composition of the Board takes into consideration the nature and scope of the Group's operations to ensure diversity and balance of judgement for effective decision making. The Directors of the Board have varied expertise in accounting, finance, business management, strategic planning, customer relationship management, and experience in the marine fuel industry.

Brief profiles of Directors are provided under the section "Board of Directors" in this annual report.

Chairman and Chief Executive Officer

Principle 3: Chairman and Chief Executive Officer to be separate persons to ensure appropriate balance of power; increased accountability and greater capacity of the Board for independent decision making

Mr Michael Bandy is the Chairman and Chief Executive Officer ("CEO") of the Company, effective since January 2008.

The Chairman bears responsibility for the conduct of the Board, and the CEO bears executive responsibility for the Company's business. The Board believes that Mr. Bandy should continue to lead the Group as both Chairman and CEO. Mr. Bandy manages the day-to-day operations of the Group and is responsible for charting the strategic direction and growth of the Group. As Chairman, he ensures that Board meetings are held when necessary and sets agendas in consultation with other Directors. He reviews all Board papers, prior to presenting them to the Board, and ensures that Board members are provided with complete, accurate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group.

The Board confirms that the following factors sufficiently ensure that power is not concentrated in the hands of one individual and that there is accountability and independent decision making by the Board:

- Active participation by Independent Directors during Board meetings, who challenge the assumptions and proposals of the management on all issues affecting the affairs and businesses of the Group.
- The appointment of a Lead Independent Director to address shareholder concerns which could not have been resolved through the normal channels of the Chairman and CEO, or for which such contact is inappropriate. The Lead Independent Director also acts as the principal liaison between the Independent Directors and the Chairman on sensitive issues.

Board Membership

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

The Nominating and Remuneration Committee ("NRC") is wholly comprised of non-executive directors, the majority of whom, including the Chairman, are independent. The members of the NRC at the beginning of FY2009 were:

- Mr. Philip Anderson Chairman
- Mrs. Vivian Chandran Member
- Mr. Peter Meade Member

On 25 February 2010, Mr. Mark Catton was appointed as a member of the NRC in place of Mrs. Vivian Chandran, with effect from the Effective Date.

The NRC will ensure that directors appointed to the Board possess the relevant background, experience and expertise to make fair and sound decisions.

New directors of the Company will be appointed by way of a Board resolution after the NRC has recommended such appointment to the Board for approval. New directors must submit themselves for re-election at the next annual general meeting of the Company in accordance with the Company's Memorandum and Articles of Association.

Pursuant to the Company's Memorandum and Articles of Association, an election of directors shall take place each year at the annual general meeting, where not less than one-third of the directors, or if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office by rotation but are eligible for re-election.

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board

The NRC will undertake an annual formal review of the Board's performance as a whole and individual director's performance. The Chairman of the Board may act according to the results of the performance evaluation, which will be based on objective performance criteria proposed by the NRC and approved by the Board.

Access to Information

Principle 6: Board members should have complete, adequate and timely information

The Board has separate and independent access to senior management and the representatives of the Company Secretary at all times. The management provides information requested by the Board promptly and keeps the Board informed of all material events and transactions as these occur. The management consults Board members as necessary and appropriate. The Board is provided Board papers in advance before Board meetings to enable them to be informed, and accorded sufficient time to seek clarification and make consultations if required.

The representatives of the Company Secretary attend and document all Board meetings. The Company Secretary assists the Chairman in ensuring compliance and review of Board procedures to facilitate the effective functioning of the Board and that the Company's Memorandum and Articles of Association and the relevant rules and regulations applicable to the Company are followed.

The appointment and removal of the Company Secretary are subject to the approval of the Board.

The Board in fulfilling its responsibilities can, as a group or individually, when deemed fit, direct the Company to appoint external professionals to render advice.

Remuneration Matters

Principle 7: The policy on executive remuneration and for fixing remuneration packages of individual directors should be formal and transparent

Principle 8: Remuneration of directors should be adequate but not excessive

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration

Framework of Remuneration and Remuneration Packages

The NRC makes recommendation on the remuneration of directors based on expert industry and company advice ensuring a transparent and sound policy that maximizes shareholders' value and talent retention. It has recommended a framework of remuneration and remuneration packages, which include performance-related components for the Executive Directors, endorsed by the Board.

Policy in Respect of Directors' Remuneration

Directors' fees payable to Non-Executive Directors are subject to approval by shareholders at the Company's annual general meetings. The framework for determining director's fees in FY2009 is as follows:

| All amounts in US\$ | Base fee | Lead Director | Committee Chair | Non-chair Committee Member |
|---------------------|----------|---------------|-----------------|----------------------------|
| Vivian Chandran | 50,000 | - | - | 5,000 |
| Sharon Chandran | 50,000 | - | - | - |
| Harrison Chang | 50,000 | - | - | - |
| Masanobu Takagi | 50,000 | - | - | - |
| Fuminobu Oda | 50,000 | - | - | 10,000 |
| Michael Lim | 50,000 | 10,000 | 20,000 | - |
| Philip Anderson | 50,000 | - | 10,000 | - |
| Peter Meade | 50,000 | - | - | 15,000 |

Directors are paid attendance fees for all scheduled and ad-hoc physical and telephonic meetings.

Level and Mix of Remuneration for Directors for the Year Ended 31 December 2009

The level and mix for each Director's remuneration in bands of S\$250,000 are set out below:

| Name | Directors' Fees % | Base/Fixed Salary % | Variable or Related Income/Bonus % | Benefits in Kind % | Value of Share Options Granted % | Total % |
|---------------------------------------|-------------------|---------------------|------------------------------------|--------------------|----------------------------------|---------|
| Between S\$3,250,000 and S\$3,499,999 | | | | | | |
| Michael Bandy | - | 58.16 | 25.41 | 3.03 | 13.39 | 100.00 |
| Below S\$250,000 | | | | | | |
| Vivian Chandran | 100.00 | - | - | - | - | 100.00 |
| Sharon Chandran | 100.00 | - | - | - | - | 100.00 |
| Harrison Chang | 100.00 | - | - | - | - | 100.00 |
| Masanobu Takagi | 100.00 | - | - | - | - | 100.00 |
| Fuminobu Oda | 100.00 | - | - | - | - | 100.00 |
| Michael Lim | 88.44 | - | - | - | 11.56 | 100.00 |
| Philip Anderson | 86.11 | - | - | - | 13.89 | 100.00 |
| Peter Meade | 92.53 | - | - | - | 7.47 | 100.00 |

Due to the sensitive nature of the remuneration for key executives, the Board is of the opinion that such disclosure should not be made in the Annual Report.

The Directors holding office as at 31 December 2009 had no interests in the shares, warrants, share options in or debentures of the Company and/or its subsidiaries as recorded in the register of Directors' shareholdings except:

| | Direct interest as at | | | Deemed interest as at | | |
|--|-----------------------|-------------|-------------|-----------------------|-------------|-------------|
| | 1.1.2009 | 31.12.2009 | 21.1.2010 | 1.1.2009 | 31.12.2009 | 21.1.2010 |
| Interest in the Company's ordinary shares of HK\$0.0000125 each | | | | | | |
| Michael Bandy | - | - | - | - | - | - |
| Vivian Chandran | 549,360,000 | 549,360,000 | 549,360,000 | 107,388,194 | 107,388,194 | 107,388,194 |
| Sharon Chandran | - | - | - | - | - | - |
| Harrison Chang | - | - | - | - | - | - |
| MasanobuTakagi | - | - | - | - | - | - |
| Fuminobu Oda | - | - | - | - | - | - |
| Michael Lim | - | - | - | - | - | - |
| Philip Anderson | - | - | - | 200,000 | 200,000 | 200,000 |
| Peter Meade | - | - | - | - | - | - |
| (Options to subscribe for ordinary shares) | | | | | | |
| Michael Bandy | 4,676,000 | 7,422,898 | 7,422,898 | - | - | - |
| Michael Lim | 352,000 | 528,000 | 528,000 | - | - | - |
| Philip Anderson | 340,000 | 516,000 | 516,000 | - | - | - |
| Peter Meade | 176,000 | 352,000 | 352,000 | - | - | - |

Details of the 2006 Share Option Scheme

The NRC administers the 2006 Share Option Scheme. Please refer to Note 20 of the Notes to the Financial Statements for details of the Scheme.

There are no employees who received 5% or more of the total number of options available under the Scheme. Employees who received more than 1,000,000 options in aggregate are as follows:

| Name of Participant | Options granted during the financial year under review (including terms) | Aggregate options granted since commencement of Scheme to the end of financial year under review | Aggregate options exercised since commencement of Scheme to the end of the financial year under review | Aggregate options outstanding as at the end of the financial year under review |
|---------------------|--|--|--|--|
| Jerome Lorenzo | 350,000 | 2,525,333 | - | 2,525,333 |
| John Beckman | 200,000 | 2,225,333 | - | 2,225,333 |
| Lucius Conrad | 200,000 | 2,225,333 | - | 2,225,333 |
| Emilio Heredia | - | 1,825,333 | - | 1,825,333 |
| Helen Surh | 300,000 | 2,425,333 | - | 2,425,333 |
| Adrian Tolson | 300,000 | 2,425,333 | - | 2,425,333 |
| Sanjay Anand | 350,000 | 2,525,333 | - | 2,525,333 |

Information on Directors participating in the Scheme is as follows:

| Name of Participant | Options granted during the financial year under review (including terms) | Aggregate options granted since commencement of Scheme to the end of the financial year under review | Aggregate options exercised since commencement of Scheme to the end of the financial year under review | Aggregate options outstanding as at the end of the financial year under review |
|---------------------|--|--|--|--|
| Michael Bandy | 2,746,898 | 7,422,898 | - | 7,422,898 |
| Philip Anderson | 176,000 | 516,000 | - | 516,000 |
| Michael Lim | 176,000 | 528,000 | - | 528,000 |
| Peter Meade | 176,000 | 352,000 | - | 352,000 |

As at 31 December 2009, no options have been granted to controlling shareholders (as defined in the Listing Manual of the SGX-ST) of the Company or their associates (as defined in the Listing Manual of the SGX-ST).

As at 31 December 2009, no options have been granted at a discount.

Accountability and Audit

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

Principle 11: Establishment of Audit Committee with written terms of reference

The Board is provided with quarterly management accounts that present a balanced and comprehensible assessment of the Group's performance, position and prospects on a quarterly basis.

Financial results are disseminated through announcements via SGXNET to the SGX, by news releases, through media and analyst briefings as well as postings on the Chemoil website.

Audit Committee

The Audit Committee ("AC") comprises 3 members, the majority of whom, including the Chairman, are independent. The members of the AC at the beginning of FY 2009 were:

- Mr. Michael Lim Chairman
- Mr. Fuminobu Oda Member
- Mr. Peter Meade Member

The AC undertook a review of all non-audit services provided by the external auditors during the financial year, and is of the view that they would not affect the independence of the external auditors. Fees paid/payable to PricewaterhouseCoopers LLP, Singapore, and PricewaterhouseCoopers firms outside Singapore, was nil and US\$13,790, respectively, in 2009 for non-audit services.

The AC has the power to conduct or authorize investigations into any matters within its scope of responsibility. The AC is authorized to obtain independent professional advice deemed necessary in the discharge of its responsibilities. Such expenses will be borne by the Company.

The AC has the co-operation of and complete access to the Company's management. It has full discretion to invite any director or executive officer to attend the meetings, and has been given reasonable resources to enable the discharge of its functions.

Internal Controls and Risk Management

Principle 12: The Company values a sound system of internal controls

The operating and financial review is set out under the Year in Review sections and the Group's approach to risk management and internal controls are set out in the Managing Risks section of this annual report.

Risk Management Committee

The Executive Risk Management Committee ("ERMC") assists the Board in fulfilling its responsibilities by identifying, reviewing, recommending and approving:

- (a) the types and levels of business risks of the Company, its subsidiaries, joint ventures and associated companies in the course of business
- (b) the policies, procedures and methodologies for identifying, measuring, monitoring and managing risks that are consistent with its risk appetite

The functions of the ERMC are:

- (a) reviewing the Group's risk management structure, overseeing its risk management processes and activities, and proactively identifying potential areas of risk exposure, to prevent, mitigate and manage risk at acceptable levels determined by the Board
- (b) reviewing, maintaining and updating key subsidiaries', joint ventures' and associated companies' and the Group's overall risk registers and ensuring risk profiles are drawn up and updated on an annual basis
- (c) formulating risk management policies and strategies for approval by the Board as well as implementing the risk policies and strategies which have been approved by the Board
- (d) raising awareness of risk management within the Group to propagate a culture of risk management
- (e) providing high level guidance for identified and assessed risks
- (f) assigning risk owners and lines of accountability and communicating these to the relevant risk owners/accountable parties
- (g) overseeing and continuing the development and operation of risk management processes, structures, reporting and activities
- (h) reviewing fundamental/strategic risks and their controls and reporting to the Board thereon annually
- (i) ensuring that risk assessments for major projects are conducted
- (j) ensuring that extreme risks are addressed in appropriate disaster recovery/business continuity plans
- (k) liaising with the AC and internal audit to ensure integration between risk management and internal audit plans
- (l) following up on risk management action plan
- (m) overseeing and reviewing the Group's insurance needs and its portfolio of insurance for adequacy of coverage
- (n) endorsing the annual risk management work plan for the Company and for departments/divisions, subsidiaries, joint ventures and associated companies within the Group

Internal Audit

Principle 13: Independent internal audit function

The Company has an internal audit function that is independent of the activities it audits.

The internal audit function is outsourced to Protiviti, a global provider of internal audit and consulting services, and attains professional standards including those promulgated by the Institute of Internal Auditors.

The major elements in place which support the independence, quality assurance, and effective execution of the outsourced internal audit function by Protiviti, for the Company, are as follows:

- a) There is a formal Internal Audit Charter, drafted in accordance with the International Standards for the Professional Practice for Internal Auditing set by the Institute of Internal Auditors. The Charter, signed by the engagement Managing Director for Protiviti, the AC Chairman, and the Chief Financial Officer, sets out the roles and responsibilities, authority, and other matters pertaining to the internal audit function as well as management's responsibilities.
- (b) The functional reporting line for the internal audit function is the Chairman of the AC. The administrative reporting line is to the Chief Financial Officer. This assists in maintaining the function's independence and objectivity.
- (c) There is opportunity for private discussions between the AC and the Internal Audit function with the absence of management.
- (d) The Annual Plan, reviewed and approved by both Management and the AC, is considered in light of the Company's Enterprise Risk profile and any concerns raised by the AC and/or Management.

- (e) Individual audit projects are conducted in accordance with Protiviti's formal and global Internal Audit Methodology. This methodology is periodically reviewed by parties external to Protiviti to validate that it is in accordance and consistent with the Professional Standards set by the Institute of Internal Auditors. Further, there is an internal peer review program to ensure adherence to those policies and practices.
- (f) Quality for internal audit engagements for the Company is also maintained by the following programs and attributes:
 - i. Concurring reviews of internal audit reports by a Managing Director other than the Engagement Managing Director where necessary;
 - ii. Usage of proprietary methods and tools developed over decades of professional service experience, including the Protiviti Risk Model, Six Elements of Infrastructure, Capability Maturity Model, and Internal Audit Portal software;
 - iii. Usage of tools in section (b) is reviewed by Protiviti's Knowledge and Innovation Centre for methodology compliance; and
 - iv. Client Satisfaction Processes are formally established and have been carried out for the Company in 2009.
- (g) Both the Protiviti Engagement Managing Director and Engagement Manager are Certified Internal Auditors and IIA Qualified Quality Assessors, and have experience in assessing quality programs for large corporate internal audit functions. Credentials, experience and special technical knowledge (such as in the areas of information technology, commodity risk management, and treasury) in order to execute audit projects effectively for the Company is considered when staffing specific audit projects.

The Internal Auditor function presents its plans, internal audit and status reports to the AC twice a year, and more often as and when required.

Accordingly, in line with the Singapore Code of Corporate Governance, the Internal Audit function meets or exceeds the Standards set by the Institute of Internal Auditors. The AC will review the adequacy of the Internal Audit function annually, and ensure that the Internal Audit function has adequate resources and appropriate standing within the Company.

Communication with Shareholders

Principle 14: Regular, effective and fair communication with shareholders

Principle 15: Greater shareholder participation at annual general meetings

Consistent with the Singapore Exchange's Listing Rules, the Board's policy is to ensure that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to shareholders on a timely basis through:

- SGXNET announcements and news release
- Annual reports prepared and issued to all shareholders
- Company's website at www.chemoil.com where shareholders can access information on the Group

At general meetings, each distinct issue is proposed as a separate resolution.

At the Company's annual general meetings, shareholders are given the opportunity to give their views and ask directors or management, questions regarding the Group. The Chairmen of the Audit and Nominating and Remuneration Committees are required to be present at annual general meetings to answer any questions relating to the work of their committees.

Other Governance Practices

Securities Transactions

Insider trading policy

The Company has in place a policy prohibiting share dealings by directors and employees of the Group in the two weeks before the release of quarterly results and one month before the release of the full-year results, with the restriction ending on the date of the announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods.

Interested Person Transactions

The Company has established procedures to ensure that all interested person transactions are reported in a timely and thorough manner to the AC and that these transactions are conducted at arm's length and are not prejudicial to the interests of other shareholders.

| Name of Interested Person | Aggregate value of all interested person transactions entered into during the financial year under review (excluding transactions less than S\$100,000 and transactions entered into pursuant to the IPT mandate) | Aggregate value of all interested person transactions entered into under the IPT mandate during the financial year under review (excluding transactions less than S\$100,000) |
|--|---|---|
| | 2009 US\$'000 | 2009 US\$'000 |
| Itochu Corporation Japan | - | 1,943 |
| Itochu Petroleum Company Singapore Ltd | 4,384 | 105,484 |
| Itochu Enex Ltd | - | 5,586 |
| Pebble Beach Shipping | 2,204 | - |
| Baron Shipping Corporation | 3,426 | - |
| American Healthnet Inc | 1,164 | - |
| Andorra Services Limited Hong Kong | 103 | - |
| Total | 11,281 | 113,013 |

Material Contracts

Apart from the interested person transactions disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of its Chief Executive Officer, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or entered into since the end of the previous financial year.