

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 at Board and Board Committee meetings held in FY2008 are disclosed in the table below:

Name of Director	Board Meeting	Audit Committee Meeting	Nominating and Remuneration Committee Meeting
Michael Bandy	11	NA	NA
Vivian Chandran	10	1 ²	3 ¹
Sharon Chandran	10	NA	NA
Koji Takayanagi ⁴	8	NA	1 ²
Fuminobu Oda	11	5 ¹	NA
Michael Lim	11	6	1 ²
Philip Anderson	11	1 ²	4
Peter Meade ¹	8	5 ¹	3 ¹
Harrison Chang ³	5	NA	NA
Masanobu Takagi ⁵	2	NA	NA
No. of Meetings Held	11	6	4

Notes:

- 1 Appointed on 26 February 2008
- 2 Stepped down on 26 February 2008
- 3 Appointed on 12 June 2008
- 4 Resigned on 3 December 2008
- 5 Appointed on 3 December 2008

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

In January 2008, Mr. Michael Bandy was appointed as the Chairman and Chief Executive Officer ("CEO") of the Company, replacing Mr. Robert V Chandran.

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.

Following his appointment as Chairman and CEO on 14 January 2008, Mr. Bandy stepped down as Chairman and member of the NRC. Mr. Philip Anderson was appointed Chairman of the NRC in his place. Mr. Koji Takayanagi remained as a member of the NRC and Mr. Michael Lim was appointed as a member on 1 February 2008.

On 26 February 2008, the NRC was reconstituted as follows:

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

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.

The Directors standing for re-election at the forthcoming annual general meeting are Mr. Michael Bandy, Mr. Michael Lim, Mr. Harrison Chang and Mr. Masanobu Takagi.

The NRC, after assessing the contributions and performance of Mr. Michael Bandy, Mr. Michael Lim, Mr. Harrison Chang and Mr. Masanobu Takagi, has recommended them for re-election at the forthcoming annual general meeting.

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 FY2008 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	-	-	-
Koji Takayanagi	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 2008

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\$2,500,000 and S\$2,749,999						
Michael Bandy	0.67	52.16	45.62	0.77	0.78	100.00
Below S\$250,000						
Robert Viswanathan Chandran	-	98.24	-	1.76	-	100.00
Vivian Chandran	100.00	-	-	-	-	100.00
Sharon Chandran	34.82	55.85	-	9.33	-	100.00
Harrison Chang	100.00	-	-	-	-	100.00
Koji Takayanagi	100.00	-	-	-	-	100.00
Masanobu Takagi	100.00	-	-	-	-	100.00
Fuminobu Oda	100.00	-	-	-	-	100.00
Michael Lim	92.10	-	-	-	7.90	100.00
Philip Anderson	91.10	-	-	-	8.90	100.00
Peter Meade	99.83	-	-	-	0.17	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 employee mentioned below is the daughter of Mrs. Vivian Chandran, a Non-Executive Director, whose remuneration exceeded S\$150,000 in the year under review. The employee resigned on 2 September 2008.

Name	Base/Fixed Salary %	Variable or related income/Bonus %	Benefits in kind %	Value of Share Options Granted %	Total %
Sharon Chandran	85.69	-	14.31	-	100.00

The Directors holding office as at 31 December 2008 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		
	1.1.2008 or date of appointment	31.12.2008	21.1.2009	1.1.2008 or date of appointment	31.12.2008

Interest in the Company's ordinary shares of HK\$0.0000125 each

Michael Bandy	-	-	-	-	-	-
Vivian Chandran	-	549,360,000	549,360,000	-	107,388,194	107,388,194
Sharon Chandran	-	-	-	-	-	-
Harrison Chang	-	-	-	-	-	-
Masanobu Takagi	-	-	-	-	-	-
Fuminobu Oda	-	-	-	-	-	-
Michael Lim	-	-	-	-	-	-
Philip Anderson	-	-	-	200,000	200,000	200,000
Peter Meade	-	-	-	-	-	-
(Options to subscribe for ordinary shares)						
Michael Bandy	176,000	4,676,000	4,676,000	-	-	-
Michael Lim	176,000	352,000	352,000	-	-	-
Philip Anderson	164,000	340,000	340,000	-	-	-
Peter Meade	-	176,000	176,000	-	-	-

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 financial year under review (including terms)	Aggregate options granted since commencement of Scheme to end of financial year under review	Aggregate options exercised since commencement of Scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Jerome Lorenzo	350,000	2,175,333	-	2,175,333
John Beckman	200,000	2,025,333	-	2,025,333
Lucius Conrad	200,000	2,025,333	-	2,025,333
Emilio Heredia	-	1,825,333	-	1,825,333
William Long	-	1,825,333	-	1,825,333
Helen Surh	300,000	2,125,333	-	2,125,333
Adrian Tolson	300,000	2,125,333	-	2,125,333
Sanjay Anand	350,000	2,175,333	-	2,175,333

Information on Directors participating in the Scheme is as follows:

Name of Participant	Options granted during financial year under review (including terms)	Aggregate options granted since commencement of Scheme to end of financial year under review	Aggregate options exercised since commencement of Scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Michael Bandy	4,500,000	4,676,000	-	4,676,000
Philip Anderson	176,000	340,000	-	340,000
Michael Lim	176,000	352,000	-	352,000
Peter Meade	176,000	176,000	-	176,000

As at 31 December 2008, 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 2008, 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 2008 were:

· Mr. Michael Lim	Chairman
· Mr. Philip Anderson	Member
· Mrs. Vivian Chandran	Member

On 26 February 2008, the AC was reconstituted as follows:

· 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 Singapore and other auditors, including PricewaterhouseCoopers firms outside Singapore, was US\$nil and US\$71,001 respectively in 2008 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:

- the types and levels of business risks of the Company, its subsidiaries, joint ventures and associated companies in the course of business
- 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:

- 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
- 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
- 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
- raising awareness of risk management within the Group to propagate a culture of risk management
- providing high level guidance for identified and assessed risks
- assigning risk owners and lines of accountability and communicating these to the relevant risk owners/accountable parties

- overseeing and continuing the development and operation of risk management processes, structures, reporting and activities
- reviewing fundamental/strategic risks and their controls and reporting to the Board thereon annually
- ensuring that risk assessments for major projects are conducted
- ensuring that extreme risks are addressed in appropriate disaster recovery/business continuity plans
- liaising with the AC and internal audit to ensure integration between risk management and internal audit plans
- following up on risk management action plan
- overseeing and reviewing the Group's insurance needs and its portfolio of insurance for adequacy of coverage
- 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 main objective of the internal audit function is to oversee and review the adequacy and effectiveness of internal control systems within the Group. The internal auditors have identified the Group's main business processes and developed an audit plan that covers these business processes over a 2-3 year audit cycle. The Company's internal audit functions have been outsourced to a professional firm, which reports directly to the AC.

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.

During the financial year, the Group entered into the following interested person transactions:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	2008 US\$'000	2008 US\$'000
Itochu Petroleum Japan	-	44,689
Itochu Petroleum Company Singapore Pte Ltd	-	41,053
Pebble Beach Shipping	6,447	-
Baron S. Shipping	3,420	-
American Healthnet Inc.	851	-
Signal Hill Holding	536	-
Andorra Service Limited Hong Kong	767	-
Total	12,021	85,742

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.