

CORPORATE GOVERNANCE REPORT

The Board of Directors and Management of Chemoil Energy Limited (the "Company" or "Chemoil"), are committed to achieving high standards of corporate governance by promoting corporate integrity, transparency and accountability benchmarked against the Code of Corporate Governance 2005 (the "Code").

The Company has adhered to the following principles and guidelines of the Code, save for Guideline 3.1 (Chairman and CEO should be separate persons), the reason for which deviation is explained below.

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1 : Effective board to lead and control the Company

Chemoil is led by an effective and entrepreneurial Board who establishes the corporate policies and strategies of the Group, and sets direction and goals for Management. It also supervises Management and monitors the performance of these goals to enhance shareholders' value.

In particular, the Board is responsible for : -

- approving significant investments, acquisitions, divestments and funding proposals;
- approving the annual budget and financial plans;
- overseeing the strategies and financial objectives to be implemented by Management and monitor the performance of Management;
- reviewing the performance of the Group's businesses;
- 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;
- overseeing and satisfying itself of the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- assuming responsibility for corporate governance.

The Board is supported by 2 Board Committees, namely: -

1. Audit Committee; and
2. Nominating and Remuneration Committee

Promptly after the Company's admission to the official list of the Main Board of the SGX-ST on 14 December 2006, the Board met to review and discuss presentations made by Management on business strategies. Presentation on regulatory matters was also made to the Board by external professionals. The number of attendance of each Board member at the meetings held prior to the listing date and 31 December 2006 are as disclosed in the table below:

Name of Directors	Board Meeting	Audit Committee Meeting	Nominating and Remuneration Meeting	IPO Verification Meeting
Robert Viswanathan Chandran	1	-	-	2
Vivian Pearl Johnston Chandran	1	-	-	4
Sharon Stacey Johnston Chandran	1	-	-	4
Koji Takayanagi	1	-	-	4
Fuminobu Oda	1	-	-	4
Clyde Michael Bandy	1	-	-	4
Philip Calvin Anderson	1	-	-	4
Michael Lim Choo San	1	-	-	4
Number of Meetings Held	1	-	-	4

Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's Articles of Association.

New directors appointed to the Board are briefed on the Group's operations, its strategic direction and policies, the regulatory environment in which the Group operates, laws and regulations affecting the Group, and their statutory and other duties and responsibilities as Directors. The Directors are encouraged to keep abreast of statutory, regulatory and industry-related matters by attending training programmes conducted by the Singapore Institute of Directors, professional bodies and business associations, in order to discharge their functions effectively.

BOARD COMPOSITION AND BALANCE

Principle 2 : Strong and independent element on the Board

The Board comprises 8 Directors, 2 of whom are Executive Directors and the remaining 6, Non-Executive Directors. Out of the 6 Non-Executive Directors, 3 are Independent Directors.

The Board is of the view that its current composition comprises persons who, as a group, provides the necessary core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, and that the current Board size is appropriate, taking into consideration the nature and scope of the Group's operations.

A brief profile of individual Directors is provided under the section "Board of Directors" pages 24 and 25 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 Robert Viswanathan Chandran is both the Executive Chairman and Chief Executive Officer of the Company.

The Executive Chairman bears responsibility for the conduct of the Board. The Chief Executive Officer bears executive responsibility for the Group's business. The Board believes that Mr Chandran should continue to lead the Group as Executive Chairman and Chief Executive Officer. Mr Chandran will thus manage the day-to-day operations of the Group and be responsible for charting the strategic direction and growth of the Group.

The Executive Chairman ensures that board meetings are held when necessary and sets the board meeting agenda in consultation with other directors. The Chairman reviews the board papers, prior to presenting them to the Board. The Executive Chairman 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.

Adhering to the Code, Mr Clyde Michael Bandy, an independent Non-Executive Director, has been appointed as the Lead Independent Director. Mr Bandy is available to address shareholders with concerns which have not been resolved through the normal channels of the Executive Chairman and Chief Executive Officer, or for which such contact is inappropriate. Mr Bandy will also act as the principal liaison between the independent directors and the Executive Chairman on sensitive issues.

BOARD MEMBERSHIP

Principle 4 : Formal and transparent process for the appointment of new directors to the Board

NOMINATING AND REMUNERATION COMMITTEE

The Nominating and Remuneration Committee ("NRC") comprises entirely of Non-Executive Directors. The members of the NRC are:

- Mr Clyde Michael Bandy Chairman of the Committee
- Mr Philip Calvin Anderson Member of the Committee
- Mr Koji Takayanagi Member of the Committee

The NRC has written terms of reference drawn in line with the recommendation of the Code, and is also responsible for :

- deciding, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as Director of the Company;
- conducting formal assessment of the effectiveness of the Board as a whole and the contribution made by each Director to the effectiveness of the Board;
- determining the independence of each Director;
- ensuring that any newly appointed Director submit himself or herself for re-election as well as identifying the Directors due for retirement by rotation at each annual general meeting;
- recommending a framework of remuneration for the Board members;
- reviewing all matters concerning the remuneration of Management, including bonus schemes.

BOARD PERFORMANCES

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 Board will implement formal processes for assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, as well as the effectiveness of the Executive Chairman of the Board.

ACCESS TO INFORMATION

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

The Board has separate and independent access to Management and the representative of the Company Secretary at all times. Requests for information from the Board are dealt with promptly by Management. The Board is required to be informed of all material events and transactions as and when they occur. Management also consults with Board members regularly as necessary and appropriate. The Board is issued with board papers on a timely basis and prior to Board meetings.

The representative of the Company Secretary attends all board meetings, administers and prepares minutes of Board meetings, and assists the Executive Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Memorandum and Articles of Association and the relevant rules and regulations applicable to the Group are complied with.

The Board in fulfilling its responsibilities, can as a group or individual, when deemed fit, direct the Company to appoint professional advisers to render professional advice.

REMUNERATION MATTERS

Principle 7 : Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors

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

POLICY IN RESPECT OF NON-EXECUTIVE DIRECTORS' REMUNERATION

The fees payable to non-executive directors, subject to approval by shareholders at the annual general meeting, are as follow :

All amounts in US\$	Base	Lead Independent Director	Committee Chair	Non-chair Committee Member	4 meetings per annum at US\$1,000 per meeting (*)
Vivian Pearl Johnston Chandran	50,000	-	-	5,000	8,000
Koji Takayanagi	50,000	-	-	5,000	8,000
Fuminobu Oda	50,000	-	-	-	4,000
Clyde Michael Bandy	50,000	10,000	10,000	-	8,000
Philip Calvin Anderson	50,000	-	-	10,000	12,000
Michael Lim Choo San	50,000	-	10,000	-	8,000

(*) per meeting fee denotes formal meetings only, of at least one-half day, where multiple-day meetings are considered one meeting, but where each committee and board meeting is considered a separate meeting, resulting in a separate fee.

LEVEL AND MIX OF REMUNERATION OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006

The level and mix of each director's remuneration 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\$1,500,000 and S\$1,749,999						
Robert Viswanathan Chandran	-	98.52	-	1.48	-	100
Between S\$250,000 and S\$500,000						
Sharon Stacey Johnston Chandran	-	39.51	53.20	7.29	-	100
Below S\$250,000						
Vivian Pearl Johnston Chandran	100	-	-	-	-	100
Koji Takayanagi	100	-	-	-	-	100
Fuminobu Oda	100	-	-	-	-	100
Clyde Michael Bandy	100	-	-	-	-	100
Philip Calvin Anderson	100	-	-	-	-	100
Michael Lim Choo San	100	-	-	-	-	100

LEVEL AND MIX OF REMUNERATION OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2005

The level and mix of each director's remuneration 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\$1,250,000 and S\$1,500,000						
Robert Viswanathan Chandran	-	99	-	1	-	100
Below S\$250,000						
Junji Taniuchi (**)	-	91	-	9	-	100

(**) resigned on 1 June 2006

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

The employee mentioned hereunder is the daughter of Mr Robert Viswanathan Chandran, the Executive Chairman and Chief Executive Officer, and Mrs Vivian Pearl Johnston Chandran, a Non-Executive Director, whose remuneration exceeded S\$150,000 during the year under review.

Name	Base/Fixed Salary %	Variable or related income/ Bonus %	Benefits in kind %	Value of Share Options Granted %	Total %
Sharon Stacey Johnston Chandran	39.51	53.20	7.29	-	100

The Directors holding office as at 31 December 2006 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 as follows:

	Direct interest as at			Deemed interest as at		
	1.1.2006 or date of appointment	31.12.2006	21.1.2007	1.1.2006 or date of appointment	31.12.2006	21.1.2007
Interest in the Company's ordinary shares of HK\$0.0000125 each						
* based on a par value of HK\$1.00						
Robert Viswanathan Chandran	5,000*	549,360,000	549,360,000	-	35,969,000	37,019,000
Vivian Pearl Johnston Chandran	-	-	-	-	-	-
Sharon Stacey Johnston Chandran	-	-	-	-	-	-
Koji Takayanagi	-	-	-	-	-	-
Fuminobu Oda	-	-	-	-	-	-
Clyde Michael Bandy	-	-	-	-	-	-
Phillip Calvin Anderson	-	-	-	-	-	-
Michael Lim Choo San	-	-	-	-	-	-

DETAILS OF THE 2006 SHARE OPTION SCHEME

The 2006 Share Option Scheme is administered by the Nominating and Remuneration Committee. Please refer to Note 21 to the consolidated financial statements, set out on page 75, for terms and details of the Scheme.

Employees who received 5% or more of the total number of options available under the Scheme are as follows:

Name of Participant	Options granted during financial year under review	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
John Richard Beckman	1,825,333	1,825,333	-	1,825,333
Lucius Charles Conrad	1,825,333	1,825,333	-	1,825,333
Emilio Heredia	1,825,333	1,825,333	-	1,825,333
William Douglas Long	1,825,333	1,825,333	-	1,825,333
Helen Surh	1,825,333	1,825,333	-	1,825,333
Adrian Hugh Tolson	1,825,333	1,825,333	-	1,825,333
Karan Chabria	1,825,333	1,825,333	-	1,825,333
Jerome Lazatin Lorenzo	1,825,333	1,825,333	-	1,825,333
Sanjiv Ralph Noronha	1,825,333	1,825,333	-	1,825,333

As at 31 December 2006, no options have been granted to directors of the Company.

As at 31 December 2006, no options have been granted to controlling shareholders (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") of the Company or their associates (as defined in the Listing Manual of the SGX-ST).

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 monthly management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a monthly basis.

Financial results are disseminated through announcements via SGXNet to the Stock Exchange of Singapore, press releases, the Company's website, media and analyst briefings.

AUDIT COMMITTEE

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

- Mr Michael Lim Choo San Chairman of the Committee
- Mr Philip Calvin Anderson Member of the Committee
- Mrs Vivian Pearl Johnston Chandran Member of the Committee

The AC is governed by a set of written terms of reference, and performs, among other things, the following functions :

- review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the response from Management;
- review the periodic and full-year results and the corresponding announcements to the Stock Exchange of Singapore before submission to the Board for approval;
- review the assistance given by Management to the external auditors;
- review any significant unresolved differences between the external auditors, internal auditors and Management;

- (e) review the scope and results of the audit and its cost effectiveness;
- (f) review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- (g) consider the appointment/re-appointment and matters relating to resignation or removal of the external auditors;
- (h) commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or suspected infringement of any law, rule and regulation (whether of Singapore or elsewhere) which has or is likely to have a material impact on the Group's operating results and/or financial position, and Management's response;
- (i) review the adequacy of the Group's internal financial controls, operational and compliance controls and risk management policies and systems established by Management at least once a year;
- (j) review the scope, results and cost-effectiveness of internal audit procedures as well as the effectiveness of the Group's internal audit function;
- (k) review interested person transactions.

The AC has undertaken 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\$196,081 and US\$79,423 respectively in 2006 for non-audit services.

The Group will be putting in place a whistle-blowing policy which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibilities. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

The AC has full access to and co-operation of the Group's Management and has full discretion to invite any director or executive officer to attend the meetings, and will be given resources to enable it to discharge its functions.

INTERNAL CONTROLS AND RISK MANAGEMENT

Principle 12 : Sound system of internal controls

The Operating and Financial Review is set out in the Chief Financial Officer's Report contained in pages 12 to 17 and the Group's approach to risk management and internal controls is set out in pages 29 to 31 of this Annual Report.

RISK MANAGEMENT COMMITTEE

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

- (A) the types and levels of business risks (risk appetite) of the Company, its subsidiaries and associated companies to achieve its business strategies; and
- (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 as follows:

- (a) review the Group's risk management structure and oversee its risk management processes and activities and proactively identify potential areas of risk exposure, to prevent, mitigate and manage risk at acceptable levels determined by the Board;
- (b) review, maintain and update key subsidiaries' and associated companies' and the Group's overall risk registers (listing identified risk description, cause, effect, probability and consequence ratings, existing prevention and mitigation controls, and action plan for prevention and mitigation going forward, and status of implementation of action plans), and ensure risk profiles are drawn up and updated on an annual basis;
- (c) formulate risk management policies and strategies for approval by the Board;
- (d) raise awareness of risk management within the Group to ensure that a culture of risk management is embedded in it;
- (e) provide high level guidance for identified and assessed risks;
- (f) assign risk owners and lines of accountability and communicate the same to the relevant risk owners/accountable parties;
- (g) implement risk policies and strategies;
- (h) oversee and continue the development and operation of risk management processes, structures, reporting and activities;

- (i) annually review fundamental/strategic risks and their controls and report to the Board thereon;
- (j) ensure that risk assessments for major projects are conducted;
- (k) ensure that extreme risks are addressed in appropriate disaster recovery/business continuity plans;
- (l) liaise with the AC and internal audit to ensure integration between risk management and internal audit plans;
- (m) conduct a yearly review of the risk management process;
- (n) ensure follow up on risk management action plans;
- (o) oversee and review the Group insurance needs and its portfolio of insurance for adequacy of coverage; and
- (p) endorse the annual risk management workplan for the Company and for departments/divisions, subsidiaries and associated companies within the Group.

INTERNAL AUDIT

Principle 13 : Independent Internal audit function

The Company outsources its internal audit function to an external professional firm, Protiviti Pte Ltd, who reports directly to the Chairman of AC functionally and to the Chief Financial Officer administratively. The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, are adequate and functioning in the required manner. The internal auditors have identified the Group's main business processes and are developing an audit plan that covers the main business process over a 3 year audit cycle.

The AC will review the adequacy of the internal audit function annually and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

COMMUNICATION WITH SHAREHOLDERS

Principle 14 : Regular, effective and fair communication with shareholders

Principle 15 : Greater shareholder participation at annual general meetings

Consistent with the SGX-ST Listing Rules, the Board's policy is 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 Report
- Company's website at www.chemoil.com

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 voice 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 these committees.

OTHER GOVERNANCE PRACTICES

SECURITIES TRANSACTIONS

Insider Trading Policy

The Group has in place a policy prohibiting share dealings by Directors and employees of the Group during the period commencing two weeks before the release of quarterly results and one month before the release of the full-year results, and 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 period.

INTERESTED PERSON TRANSACTIONS

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

Name of Interested Person	Aggregate value of all interested person transactions entered into during the financial year under review (excluding transactions of value 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 of value less than S\$100,000)
	2006 US\$'000	2006 US\$'000
Olympic Shipping Pte Ltd	6,666	-
Helios Terminal Corporation Pte Ltd	720	-
Link Marine Pte Ltd	521	-
Andorra Services Limited	186	-
Itochu Petroleum Co., (Singapore) Pte. Ltd.	-	137,841
Itochu Petroleum Japan Ltd	-	48,942
Total Interested Person Transactions	8,093	186,783

MATERIAL CONTRACTS

Save for 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, if not then subsisting, entered into since the end of the previous financial year.