

# 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 and control the company

Chemoil is led by an entrepreneurial board that establishes the corporate policies and strategic directions of the Group to build sustainable value for all shareholders. The Board also sets direction and goals for the executive management. It supervises the executive management and monitors their performance in achieving these goals.

In particular, the Board is responsible for:

- approving significant investments, acquisitions, divestments and funding proposals;
- approving the annual budget and financial plans;
- overseeing the strategic and financial objectives implemented by the executive management and monitoring their performance;
- periodically 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;
- overseeing and ensuring the adequacy of internal controls, risk management, financial reporting and compliance processes;
- assuming responsibility for corporate governance.

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

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

The attendance of each Board member at the Board and Board Committee meetings held in FY2007 are as disclosed in the table below:

Name of Director	Board Meeting	Audit Committee Meeting	Nominating and Remuneration Committee Meeting
Robert Chandran*	11	NA	NA
Michael Bandy	11	NA	6
Vivian Chandran	11	8	NA
Sharon Chandran	11	NA	NA
Koji Takayanagi	10	NA	6
Fuminobu Oda	11	NA	NA
Michael Lim	11	9	NA
Philip Anderson	10	9	6
Peter Meade**	NA	NA	NA
<b>No. of Meetings Held</b>	11	9	6

\* Director until 7 January 2008

\*\* Appointed on 26 February 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 a strong and independent element on the Board

The Board currently comprises 8 Directors, 2 of whom are Executive Directors and the remaining 6 are Non-executive Directors. Out of the 6 Non-executive Directors, 3 are Independent Directors. The criteria for independence are determined based on the definition provided in the Code.

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 each individual Director is provided under the section "Board of Directors" pages 8 and 9 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 Chandran was both the Executive Chairman and Chief Executive Officer ("CEO") of the Company in 2007. In January 2008, Mr Michael Bandy was appointed as the Executive Chairman and CEO of the Company, replacing Mr Chandran.

The Chairman bears responsibility for the conduct of the Board. The CEO bears executive responsibility for the Company's business. The Board believes that Mr Bandy should continue to lead the Group as both Executive Chairman and Chief Executive Officer. Mr Bandy 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 Chairman ensures that the board meetings are held when necessary and sets the board meeting agenda in consultation with other directors. The Chairman reviews all board papers, prior to presenting them to the Board. The 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.

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

- Active participation by independent directors during board meetings who challenge the assumptions and proposals of the management on all relevant issues affecting the affairs and the business of the Group.
- The appointment of a Lead Independent Director to address shareholder concerns which have not 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 comprised entirely of Non-executive Directors. The members of the NRC in FY 2007 were:

- |                      |          |
|----------------------|----------|
| • Mr Michael Bandy   | Chairman |
| • Mr Philip Anderson | Member   |
| • Mr Koji Takayanagi | Member   |

Following the appointment of Mr Bandy as Executive Chairman and CEO, he stepped down as Chairman/member of the NRC. Currently, Mr Anderson is the Chairman of the NRC and Mrs Vivian Chandran and Mr Peter Meade are members of the NRC.

The NRC will use its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge to enable balanced and well-considered decisions to be made.

## 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 a formal review of the whole Board's performance and individual directors' performance annually. The Chairman of the Board may act on 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. Management provides information requested by the Board promptly. The Board is required to be informed of all material events and transactions as and when these occur. The management also consults with Board members regularly as necessary and appropriate. The Board is issued with papers and documents prior to Board meetings in order to give all Directors sufficient time to read, seek clarification and make such consultations as may be required.

The representatives of the Company Secretary attend all board meetings, and prepare minutes of such meetings, and assist the Chairman to ensure 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 Company are complied with.

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 has recommended a framework of remuneration and specific remuneration packages for the Executive Directors. These were endorsed by the entire Board. Remuneration of executive directors includes performance-related elements. The NRC has access to expert advice both inside and outside the company on remuneration of directors.

### Policy in respect of Directors' remuneration

Directors' fees payable to non-executive directors is subject to approval by shareholders at the Company's annual general meetings. The framework for determining director's fees in FY2007 is as follows:

All amounts in US\$	Base fee	Lead Director	Committee Chair	Non-chair Committee Member
Michael Bandy	50,000	10,000	10,000	–
Vivian Chandran	50,000	–	–	10,000
Koji Takayanagi	50,000	–	–	5,000
Fuminobu Oda	50,000	–	–	–
Michael Lim	50,000	–	20,000	–
Philip Anderson	50,000	–	–	15,000

In addition, attendance fees are payable for all scheduled and ad-hoc physical and telephonic meetings.

### Level and mix of remuneration of Directors for the year ended 31 December 2007

The level and mix of 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\$1,500,000 and S\$1,749,999						
Robert Chandran	–	64.48	33.26	2.26	0.00	100
Below S\$250,000						
Michael Bandy	96	–	–	–	4	100
Vivian Chandran	100	–	–	–	–	100
Sharon Chandran	–	50.65	40.52	8.83	0.00	100
Koji Takayanagi	100	–	–	–	–	100
Fuminobu Oda	100	–	–	–	–	100
Michael Lim	96	–	–	–	4	100
Philip Anderson	96	–	–	–	4	100

In view of the sensitive nature of remuneration of 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 during the year under review.

Name	Base/Fixed Salary %	Variable or related income/ Bonus %	Benefits in kind %	Value of Share Options Granted %	Total %
Sharon Chandran	50.65	40.52	8.83	0.00	100

The Directors holding office as at 31 December 2007 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	
	1.1.2007 or date of appointment	31.12.2007	21.1.2008	31.12.2007
				21.1.2008

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

Robert Chandran	549,360,000	549,360,000	–	35,969,000	102,946,000	–
Michael Bandy	–	–	–	–	–	–
Vivian Chandran	–	–	549,360,000 <sup>(1)</sup>	–	–	107,388,194 <sup>(2)</sup>
Sharon Chandran	–	–	–	–	–	–
Koji Takayanagi	–	–	–	–	–	–
Fuminobu Oda	–	–	–	–	–	–
Michael Lim	–	–	–	–	–	–
Phillip Anderson	–	–	–	–	200,000	200,000

#### Notes:

- Upon transfer of the 549,360,000 Shares held by the late Mr Robert Chandran to Mrs Chandran as the succeeding trustee of the Chandran Family Trust, Mrs Chandran shall hold the Shares in trust for the Chandran Family Trust. It is the Company's understanding that Mrs Chandran holds a life interest in the trust. Upon the death of Mrs Chandran, the children of Mrs Chandran, namely Sharon Stacey Johnston Chandran, who is also a director of the Company, and Ashley Carolyne Johnston Chandran, shall hold equal life interests in the trust. Under Section 4 of the Securities & Futures Act, Cap. 289, Mrs Chandran is presently deemed, and Sharon Stacey Johnston Chandran and Ashley Carolyne Johnston Chandran (upon succeeding Mrs Chandran) will be deemed, to be interested in the Shares held in the Chandran Family Trust.
- Andorra Services Limited, a company incorporated in Hong Kong, all the shares of which were beneficially owned by the late Mr Chandran will be contributed to the Chandran Family Trust. Under Section 4 of the Securities & Futures Act, Cap. 289, Mrs Chandran is deemed to be interested in 107,388,194 shares held by Andorra Services Limited through DBSN Services Pte. Ltd.

#### (Options to subscribe for ordinary shares)

Michael Bandy	–	176,000	176,000	–	–	–
Michael Lim	–	176,000	176,000	–	–	–
Phillip Anderson	–	164,000	164,000	–	–	–

## 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 or directors 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	–	1,825,333	–	1,825,333
John Beckman	–	1,825,333	–	1,825,333
Lucius Conrad	–	1,825,333	–	1,825,333
Emilio Heredia	–	1,825,333	–	1,825,333
William Long	–	1,825,333	–	1,825,333
Helen Surh	–	1,825,333	–	1,825,333
Adrian Tolson	–	1,825,333	–	1,825,333
Karan Chabria	–	1,825,333	–	1,825,333
Sanjay Anand	1,825,333	1,825,333	–	1,825,333

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	176,000	176,000	–	176,000
Philip Anderson	164,000	164,000	–	164,000
Michael Lim	176,000	176,000	–	176,000

As at 31 December 2007, 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).

As at 31 December 2007, 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 understandable 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 in FY 2007 were:

- Mr Michael Lim                      Chairman
- Mr Philip Anderson                Member
- Mrs Vivian Chandran               Member

On 26 February 2008, Mr Philip Anderson and Mrs Vivian Chandran stepped down as members of the AC and Mr Fuminobu Oda and Mr Peter Meade were appointed as members of the AC.

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\$nil and US\$84,688 respectively in 2007 for non-audit services.

The Company is in the process of putting in place a whistle-blowing policy to provide a mechanism for employees and other persons, in confidence, to raise concerns about possible improprieties in financial reporting or other matters.

The AC has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility. The AC is authorized 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 Company's management and has full discretion to invite any director or executive officer to attend the meetings, and has been given reasonable resources to enable it to discharge 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 Chief Financial Officer's Report contained in pages 11 to 13 and the Group's approach to risk management and internal controls are set out in pages 32 to 35 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 of the Company, its subsidiaries and associated companies as it carries out its business; 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 to:

- (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's insurance needs and its portfolio of insurance for adequacy of coverage; and
- (p) endorse the annual risk management work plan for the Company and for departments/divisions, subsidiaries 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 the overall systems of internal controls within the Group. The internal auditors have identified the Group's main business processes and developed an audit plan that covers the main business process over a 2-3 year audit cycle. The Company's internal audit functions have been outsourced to an external professional firm, who reports directly to the Chairman of 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 has 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](http://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 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 periods.

## Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely and thorough manner to the AC and that these transactions are conducted on an arm's length basis 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)
	2007 US\$'000	2007 US\$'000
Itochu Corporation	–	57,053
Itochu Petroleum Company Singapore Pte Ltd	–	149
Andorra Service Limited Hong Kong	3,116	60,738
Andorra Ventures Philippines	215	–
Pebble Beach Shipping	1,100	–
California Software Company Limited	5,466	–
Baron S Shipping Corporation	2,401	–
Link Marine Pte Ltd*	535	–
Helios Terminal Corporation Pte Ltd*	57	–
Olympic Shipping Pte Ltd*	2,029	–
<b>Total</b>	<b>14,919</b>	<b>117,940</b>

\* In 2007, the Group acquired 100% interest in these companies. The transactions reported above took place before these acquisitions.

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