



China Aviation Oil (Singapore) Corporation Ltd

中国航油（新加坡）股份有限公司

A Subsidiary of China National Aviation Fuel Group Corporation  
中国航空油料集团公司子公司

志  
腾  
高  
远



**SOARING  
TO  
GREATER HEIGHTS**

Annual Report **2010**  
2010年年度报告



## OUR VISION

To become an internationally competitive and growth-oriented integrated energy trading company with synergistic assets, characterised by integrity and innovation

## 公司愿景

坚守诚信、勇于创新, 成为具有跨国经营优势的能源贸易和实业协同发展型企业

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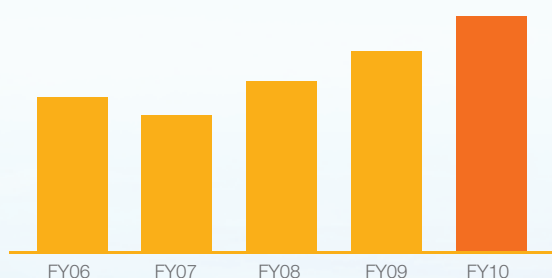
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# Another Record Performance

## 业绩再创新高

Total Jet Fuel Supply and Trading Volume  
航油供应与贸易总量

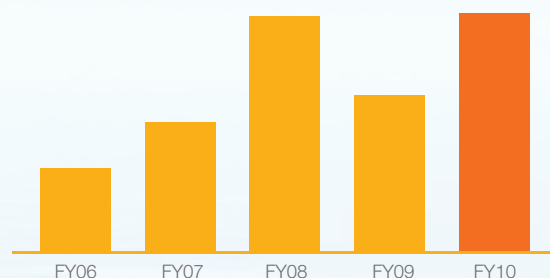
**7.2m** tonnes



Increased 17% from 2009, driven by growth of jet fuel trading activities outside the PRC

Revenue  
销售收入

**US\$5.5b**



Grew 50% from 2009, on the back of business growth and higher oil prices

Total Assets  
总资产

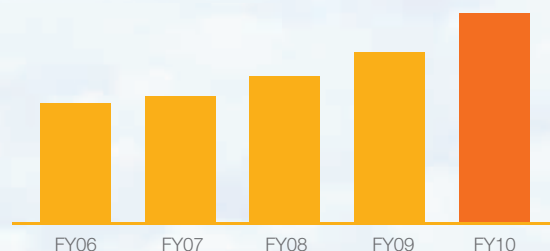
**US\$946m**



Jumped 25% from 2009, due to increased share of profits in associated companies and higher trade receivables

Net Profit\*  
净利润\*

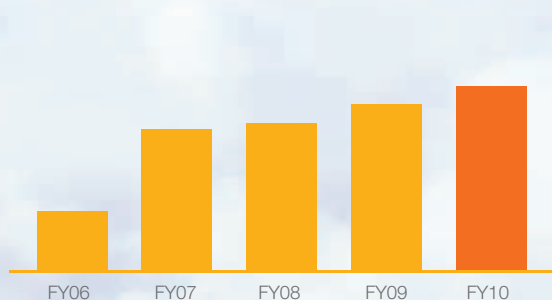
**US\$54.7m**



Increased 21% from 2009 due to strong performance from associated companies

Net Asset Value/Share  
每股净资产值

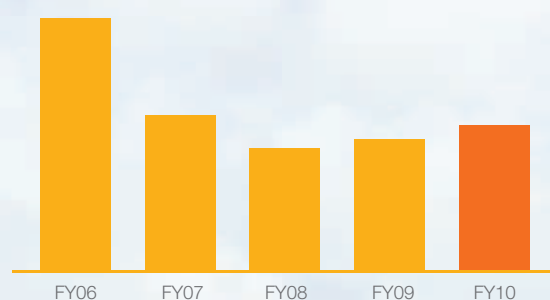
**48.07** US cents



Net asset value per share increased 12% due to higher retained earnings

Return on Equity\* #  
股本回报率\* #

**16.7%**



Reflects our strong earnings performance

\*FY2006 and FY2007 excludes one-off non-operating gains  
剔除2006年和2007年一次性非经营收益

#Average shareholders' equity used in calculation  
计算时取股东权益平均值

# CAO At A Glance

## 公司简介

China Aviation Oil (Singapore) Corporation Ltd (“CAO”) was incorporated in Singapore on 26 May 1993. It was listed on the mainboard of the Singapore Exchange Securities Trading Limited on 6 December 2001.

CAO’s current principal activities are jet fuel supply and trading, trading of other oil products and investments in oil-related assets.

The single largest shareholder of CAO is China National Aviation Fuel Group Corporation (“CNAF”), which holds about 51% of the total issued shares of CAO. A large State-owned enterprise in the People’s Republic of China (“PRC”), CNAF is the largest aviation transportation logistics service provider in the PRC, providing aviation fuel distribution, storage and refuelling services at most PRC airports. BP Investments Asia Limited, a subsidiary of BP, is a strategic investor of CAO, which holds 20% of the total issued shares of CAO.

中国航油(新加坡)股份有限公司(简称“CAO”)于1993年5月26日在新加坡注册成立，2001年12月6日在新加坡证券交易所主板上市。

CAO目前的主营业务为航油供应与贸易、其他油品贸易和油品相关实业投资。

CAO最大的股东是中国航空油料集团公司(简称“CNAF”)，CNAF持有CAO约51%的股份，是中国大型国有企业之一，也是中国最大的航空运输物流服务供应商，为中国大部分机场提供航空油料的分配、存储和加注服务。BP的子公司BP投资亚洲有限公司是CAO的战略投资者，持有CAO 20%的股份。



Jet Fuel Supply & Trading

CAO supplies more than 90% of PRC’s jet fuel import requirements. Our key customers are the three key international airports in the PRC, namely Beijing Capital International Airport, Shanghai Pudong International Airport and Guangzhou Baiyun International Airport.

Whilst consolidating our strong position in the PRC, we are proactively expanding our business in Asia Pacific and other regions by leveraging on our strength as the largest purchaser of jet fuel in the region.



Trading of Other Oil Products

We aim to expand and enhance the scale and geographical reach of our businesses by building up a diversified trading portfolio, which includes products such as petrochemicals, fuel oil and gasoil.

CAO has established its presence in the Asia Pacific petrochemicals and fuel oil trading market.

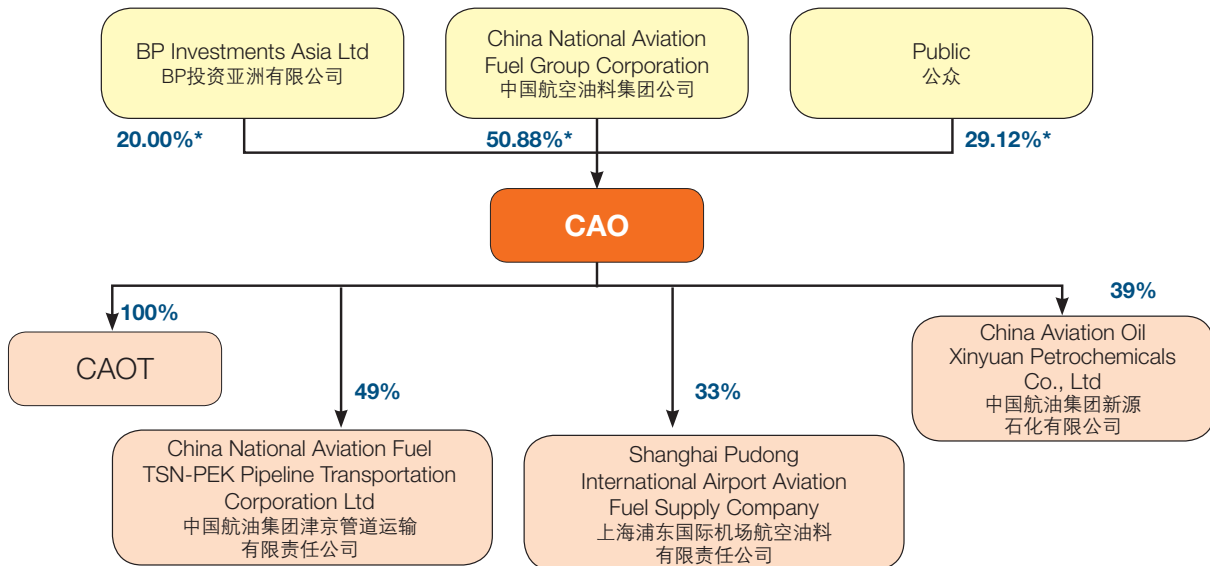


Investments in Oil-related Assets

CAO currently holds equity stakes in:

- Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd, the exclusive supplier of jet fuel at Shanghai Pudong International Airport (33% equity stake);
- China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd, which owns a 185 km long pipeline that transports jet fuel to the Beijing Capital International Airport and Tianjin Binhai International Airport (49% equity stake); and
- China Aviation Oil Xinyuan Petrochemicals Co., Ltd, which owns oil storage facilities in Maoming, Guangdong Province, PRC (39% equity stake)

### GROUP STRUCTURE 公司结构



\* Including treasury shares 包括库存股



#### 航油供应与贸易

CAO向中国供应的进口航油占全国进口需求的90%以上。公司的主要客户为中国三大国际机场，即北京首都国际机场、上海浦东国际机场和广州白云国际机场。

在巩固我们在中国国内地位的同时，我们依托自身作为亚太最大航油买家的优势拓展亚太及其他地区的航油业务。



#### 其他油品贸易业务

我们通过建立多元化的贸易业务来拓展和提升公司的业务规模与市场地域。我们对其他油品的贸易品种包括石化产品、燃料油和柴油。

CAO已在亚太地区的化工品和燃料油市场占有一席之地。



#### 油品相关实业投资

CAO的现有投资包括：

- 上海浦东国际机场航空油料有限责任公司——上海浦东国际机场的独家航油供应商（CAO持股33%）
- 中国航油集团津京管道运输有限责任公司——该公司拥有一条长达185公里的输油管道，将航油运至北京首都国际机场和天津滨海国际机场（CAO持股49%）。
- 中国航油集团新源石化有限公司——该公司拥有位于中国广东茂名的油库（CAO持股39%）。

## Chairman's Statement

### 董事长致辞



**Sun Li**  
Chairman

### Dear Shareholders,

I am pleased to report that the CAO Group has achieved yet another year of record performance for the financial year 2010 despite uncertainties on the sustainability of recovery of emerging market economies and challenging oil market conditions.

The Group's net profit attributable to shareholders reached a historic high of US\$54.7 million for the financial year ended 31 December 2010 ("FY 2010"), an increase of 21% compared to the previous year. Our jet fuel supply and trading business performed well for the year under review. Revenue was up 50% at US\$5.5 billion on the back of record high jet fuel supply and trading volumes.

The Group's financial position has continued to strengthen. Net assets as at 31 December 2010 stood at US\$345.2 million, 11% higher than 2009. Return on equity increased from 15.4% in 2009 to 16.7% in 2010.

The civil aviation industry of the People's Republic of China ("PRC") continued to grow at a robust pace in 2010, with a 16% increase in total air passenger traffic. Despite the increase in the production and supply of jet fuel in the PRC, the volume of jet fuel imported by CAO into the PRC increased moderately in 2010.

The healthy growth of the PRC civil aviation industry also benefited our key associated company, Shanghai Pudong International Airport Aviation Fuel Supply Company ("SPIA"). SPIA turned in a stellar performance in 2010 and contributed US\$35.8 million to the profit of the CAO Group.

# Chairman's Statement

## 董事长致辞

On the other hand, oil trading market conditions were generally less favourable in 2010, which posed challenges to the Group's trading business. Notwithstanding this, I am pleased to report that the trading portfolio of the CAO Group remained profitable in 2010 and was a key profit contributor to the Group.

Jet fuel supply and trading volumes grew 17% to 7.17 million tonnes in 2010, testament to our proactive efforts to grow the jet fuel business outside the PRC. CAO further entrenched its position as the leading jet fuel supplier and trader in the region as it made further inroads into the Asia Pacific markets and expanded into Europe, the Middle East and North America. The Group also strengthened its jet fuel trading capability and flexibility by increasing and optimising storage facilities.

The signing of a four-year business collaboration with BP Singapore Pte Limited ("BPS") in October 2010 was a milestone for the CAO Group in expanding its trading business. This collaboration agreement, which took effect from 1 January 2011, will bring BPS and CAO to a deeper level of business cooperation. It also provides a platform for both BPS and CAO to build on respective strengths for mutual benefit. For CAO, this collaboration provides an important access into new markets, such as Europe and the Middle East.

### Corporate Governance

The Group is firmly committed to upholding high standards of corporate governance. With my appointment as the Chairman of the Board of CAO on 16 August 2010, Dr Wang Kai Yuen relinquished his role as Chairman of CAO and was concurrently appointed as Deputy Chairman and Lead Independent Director. The appointment of Dr Wang as the Lead Independent Director is over and above the requirements of the 2005 Singapore Code of Corporate Governance and enhances the critical role of independent directors on the Board of CAO.

As part of CAO's ongoing process of ensuring the effectiveness of its system of internal controls, the Board decided that the established system of internal controls be subject to review by an independent external reviewer at least once every two years. CAO engaged BDO Consultants Pte Ltd for this purpose during the last quarter of 2010. Based on the findings of the review by BDO Consultants, the system of CAO's internal controls were satisfactory and effective on the whole.

### Awards and Accolades

Our efforts to uphold good corporate governance practices were recognised when we won the Securities Investors Association (Singapore)'s Most Transparent Company award (Runner-up) in the Foreign Listings category. CAO was also ranked 9th in the 2010 Singapore International 100 Ranking based on Singapore companies' overseas revenue.

### Enhancing Shareholder Value

To reward our loyal shareholders, the Board has recommended a final dividend of S\$0.02 per share. Including the interim dividend of S\$0.02 per share paid during FY 2010, total dividend payout for the year will be S\$0.04 per share, representing about 41% (2009: 23%) of FY 2010 net profit.

The Group also continued to enhance shareholder value through share buyback activities during the course of the year. The Group purchased 3.7 million shares in 2010, all of which are held as treasury shares. As at 1 March 2011, CAO has repurchased about 5.8 million shares, which represented 0.8% of the Group's issued share capital.



*Interaction with shareholders after the EGM in December 2010*

# Chairman's Statement

## 董事长致辞

### Appreciation

The Board and I wish to thank our shareholders for their unwavering support to CAO. We would also like to thank the management team, staff, business associates and customers for their hard work and contributions to CAO.

I would also like to offer my heartfelt appreciation to my fellow Directors for their valuable guidance and support.

On behalf of the Board of CAO, I would like to express a special word of thanks to Mr Timothy Bullock, a BP nominee director who stepped down from the Board on 24 February 2011 following his departure from the BP Group. I wish to thank Tim for his significant contributions to CAO during his three-year tenure as a director of CAO, particularly in the areas of oil trading and risk management. The Board has benefited immensely from his commercial acumen and wealth of experience in the global oil and gas industry. We wish him the very best in his future endeavours. I also wish to extend a warm welcome to Mr Alan Haywood. I believe Alan's substantial experience in the global energy trading industry will be valuable to CAO.

### Outlook

The PRC civil aviation industry is expected to continue its double-digit growth rate, which will in turn lead to a sustainable

demand for imported jet fuel. Our associated companies in the PRC are also expected to benefit from the robust growth of the Chinese civil aviation industry.

Whilst the international oil market is expected to remain challenging in the coming year, CAO will continue to leverage on its competitive strength as the largest purchaser of jet fuel in the Asia Pacific region to expand its jet fuel trading business.

Besides our trading business, we are actively looking at acquisition opportunities as part of our strategy to strengthen CAO's assets and earnings base, particularly investments that are synergetic to our trading activities in jet fuel and other oil products.

CAO also has the support of its parent company, China National Aviation Fuel Group Corporation ("CNAF") and its strategic investor, BP Investments Asia Limited ("BP"). With CNAF's commitment to provide strong support towards CAO's growth strategy and BP's valuable partnership in the areas of trading and risk management, I believe CAO is poised to grow and to deliver sustainable returns and greater value to its shareholders going forward.

**Sun Li**  
Chairman





### 各位股东：

我很高兴地在此通报，尽管新兴市场的复苏势头是否能够继续还有不确定因素，油品市场也面临各种挑战，但CAO集团在2010财年再一次创出了历史最佳业绩。

截至2010年12月31日的财年里，本集团可向股东分配净利润较去年增加21%，达到5470万美元，创历史最高。本集团的航油供应与贸易业务也有上佳表现，航油供应与贸易量达历史新高水平，并带动收入增加50%至55亿美元。

本集团的财务状况持续增强。截至2010年12月31日，净资产达3.452亿美元，较2009年增加11%。股本回报率从2009年的15.4%增至2010年的16.7%。

中国民航业在2010年继续稳健增长，航空客运量增加了16%。尽管中国国内航油生产与供应量增加，2010年CAO对中国的航油进口量仍稳中有升。

中国民航业的良性发展也使得我们的主要联营公司——上海浦东国际机场航空油料有限责任公司（简称“浦东航油”）从中获益。浦东航油在2010年取得了优异的业绩，并为CAO集团贡献了3580万美元的税前利润。

另一方面，2010年的油品贸易市场情况较为不利，给本集团的贸易业务造成挑战，尽管如此，2010年CAO集团的贸易业务继续保持盈利，并且仍是本集团利润的主要来源之一。

2010年航油供应与贸易量达到717万吨，达到历史最高，同比增加17%，显示了我们正在大力拓展中国以外的航油业务。CAO将业务进一步拓展至中东、欧洲和北美，继续巩固了其作为本地区航油供应与贸易商的领先地位。我们还通过增加和优化储罐设施，加强了航油贸易能力和灵活性。

2010年10月，CAO与BP新加坡私人有限公司（简称“BPS”）签订为期4年的业务合作协议，这是CAO集团拓展贸易活动的一个重要里程碑。这项合作协议于2011年1月1日生效，它将深化CAO与BPS的合作，为双方搭建平台发挥各自优势，实现共赢。这一合作也为CAO进入欧洲和中东等新市场提供了一个重要的渠道。

### 公司治理

本集团始终坚持高水准的公司治理。2010年8月16日，我被任命为CAO董事长，同时，王家园博士被任命为CAO的副董事长兼首席独立董事。任命王博士担任首席独立董事超出了新加坡2005公司治理守则的要求，这一做法强化了独立董事在CAO董事会发挥的关键作用。

为确保CAO内控体系持续有效，董事会决定聘请外部独立顾问对公司现有内控体系进行评估，评估频率至少两年一次。在2010年第4季度，CAO为此聘请了德豪咨询顾问有限公司。根据评估结果，CAO的内控体系总体情况令人满意且有效。

### 获奖与表彰

我们在良好公司治理实践方面的努力得到了肯定，CAO获得新加坡证券投资者协会颁发的“最透明公司奖—海外上市公司组第二名”。在2010年新加坡国际100家企业排名中，CAO名列第9位（根据海外收入计算）。

### 提升股东价值

为了回馈忠诚股东，董事会提议派发每股0.02新元的年终股息。加上公司在2010财年派发的每股0.02新元期中股息，本集团全年共派发每股0.04新元的股息，占2010财年净利润的41%（2009年为23%）。

本集团在2010年继续进行股票回购，借此提升股东价值。2010年集团回购了370万股股票，全部作为库存股持有。截至2011年3月1日，CAO共回购了580万股，占总发行股本的0.8%。



# Chairman's Statement

## 董事长致辞

### 致谢

董事会和我本人要感谢股东对CAO一如既往的支持。我们还要感谢管理层、全体员工、联营公司和客户，感谢他们对CAO的贡献和辛勤的工作。

同时，我还要衷心感谢各位董事对CAO业务发展所给予的积极且富有建设性的指导和对我的支持！

我在此也谨代表CAO董事会特别感谢前BP提名董事Timothy Bullock先生，他从BP集团离职后于2011年2月24日辞去了在CAO的董事职务。感谢Bullock先生在CAO担任董事的3年期间所作出的重要贡献，尤其在油品贸易和风险管理领域。董事会从他在全球油气领域的商业才智和丰富经验中获益良多。我们祝愿Bullock先生未来事业一切顺利。同时我们欢迎Alan Haywood先生的加入。我相信Haywood先生在全球能源贸易领域的丰富经验一定会使CAO获益。

### 展望未来

中国民航业预计将保持两位数的增长速度，这将拉动中国对进口航油的持续需求。本集团在中国的联营企业预期也将从中国民航业稳健的发展中获益。

2011年，国际油品市场将面临严峻挑战，CAO将继续利用其作为亚太地区最大的航油买家的竞争优势来扩展其航油贸易业务。

作为战略的一部分，除推动贸易业务外，为加强公司资产和增加收入来源，我们也在积极寻找资产收购机会，尤其是能与我们的航油和其他油品贸易产生协同增效作用的投资机会。

CAO还拥有其母公司——中国航空油料集团公司（简称“CNAF”）以及战略投资者——BP亚洲投资有限公司（简称“BP”）的支持。CNAF承诺在CAO发展业务的过程中为其提供一如既往的强有力支持，加上公司与BP在贸易和风险管理领域建立的重要合作关系，我相信CAO必将保持健康增长，持续为股东创造更大的价值。

**孙立**  
董事长



## Board of Directors 董事会



From left to right 左到右:

(Standing 站) Zhao Shousen 赵寿森  
Alan Haywood

Chen Liming 陈黎明  
Luo Qun 罗群

Ang Swee Tian 汪瑞典

(Sitting 坐) Liu Fuchun 刘福春  
Sun Li 孙立

Wang Kai Yuen 王家园  
Meng Fanqiu 孟繁秋

# Board of Directors

## 董事会

### Sun Li

#### Non-Executive Chairman

- Appointed to the Board on 30 April 2007

Mr Sun Li is the President of China National Aviation Fuel Group Corporation ("CNAF") since February 2007. Prior to this appointment, he held the position of Deputy President of CNAF from November 2005 to January 2007.

Mr Sun has extensive management experience in the petroleum and chemical industry. He joined Liaoyang Petrochemical & Fibre Company ("Liaoyang Petrochemicals") in December 1975 after graduation. He was promoted several times and was the Deputy General Manager when he left Liaoyang Petrochemicals in 1998.

At Liaoyang Petrochemicals, he attended trainings on corporate management conducted by IBM, ENSPM (France) and ICI (Britain). He is thus familiar with various corporate management systems in large multi-national companies.

Mr Sun was the Deputy Director of the Refinery Department of China National Petroleum Corporation from October 1998 to September 1999. From September 1999 to December 2002, he served as the General Manager of PetroChina Lanzhou Petrochemical Company. From December 2002 to November 2005, he was the General Manager of PetroChina Chemical and Sales Company. Mr Sun is currently the Chairman of CNAF Corporation Limited.

He graduated from Tsinghua University, where he majored in polymer chemistry. Mr Sun holds a Postgraduate Diploma with a qualification title of Senior Engineer and he is entitled to the Special Allowance for Specialists from the State Council of the PRC. He attended the MBA course at Capital University of Economics and Business in Beijing and the Masters course in Politics at the Party School of the Central Committee of the Communist Party of China. Mr Sun was recognised by the International Air Transport Association (IATA) in 2010 for outstanding progress in safety and technology management. He was also conferred "Aviation Fuel Person of the Year" by Armbrust Aviation Group in 2010.

### 孙立

#### 非执行董事长

- 2007年4月30日加入董事会

2007年2月至今，孙立先生出任中国航空油料集团公司总经理。此前，从2005年11月到2007年1月，任中国航空油料集团公司副总经理。

孙先生在石化行业担任过各种职位，拥有丰富的管理经验。大学毕业后，1975年12月他到辽阳石油化纤公司工作。此后他多次被提拔，1998年他离开该公司时的职务是副总经理。

通过在辽化任职期间参加IBM公司、法国石油与发动机学院和英国帝国化学公司的现代企业管理培训，孙先生通晓大型跨国企业的多种企业管理体制。

1998年10月至1999年9月，孙先生任中国石油天然气集团公司炼化部副主任。1999年9月至2002年12月，任中国石油兰州石化分公司总经理。2002年12月至2005年11月，任中国石油天然气股份有限公司化工与销售分公司总经理。孙先生目前也担任中国航空油料有限责任公司董事长。

孙先生毕业于清华大学化学系高分子化工专业；研究生学历，高级工程师资格，享受国务院特殊专家津贴；还曾在首都经贸大学工商管理硕士研究生班和中央党校政治学硕士生班学习。孙立2010年被国际航协授予“安全技术管理杰出进步奖”，还获得Armbrust Aviation Group颁发的2010年“航空风云人物奖”。

### Wang Kai Yuen

#### Deputy Chairman and Lead Independent Director

- Appointed to the Board on 28 April 2008
- Chairman of the Remuneration Committee
- Member of the Audit Committee and the Nominating Committee

Dr Wang Kai Yuen holds directorship positions in a number of public-listed companies in Singapore. He retired from Fuji Xerox Singapore Software Centre in January 2010 as the Centre Manager. He is also a member of the Foreign Experts Committee of the Overseas Chinese Affairs Office of the State Council in the PRC. Dr Wang served as a Member of Parliament for the Bukit Timah Constituency from December 1984 till April 2006. He was the Chairman of the Feedback Unit from 2002 till his retirement from politics. From 2005 to 2006, he served as the founding Chairman of AIDS Business Alliance, an initiative of the Singapore Health Promotion Board to promote awareness of HIV/AIDS in the work place.

Dr Wang graduated from the National University of Singapore with a Bachelor in Engineering (First Class Honours in Electrical and Electronics). He also holds a Master of Science in Electrical Engineering and a PhD in Engineering from Stanford University. He received a Friend of Labour Award in 1988 for his contributions to the Singapore labour movement.

### 王家园

#### 副董事长兼首席独立董事

- 2008年4月28日加入董事会
- 薪酬委员会主席
- 审计委员会和提名委员会成员

王家园博士在数家新加坡上市公司担任董事职务。在2010年1月退休前，王博士是富士施乐新加坡软件中心的中心经

理。他也是中国国侨办海外专家委员会的成员。1984年12月至2006年4月，王博士是新加坡武吉知马选区的国会议员。从2002年到他退出政坛之前，他担任新加坡民意处理组主席。2005年至2006年，他担任AIDS商业联盟的创始主席，该组织由新加坡保健促进局成立，旨在提高人们在工作上对爱滋病的防范意识。

王博士毕业于新加坡国立大学，拥有工程系一等荣誉学位（电器与电机工程）。他也拥有斯坦福大学电机工程硕士学位和工程学博士学位。1988年，他因对新加坡劳动运动的贡献而获劳工之友奖。

### Meng Fanqiu

Chief Executive Officer / Executive Director

- Appointed to the Board on 28 March 2006
- Appointed as CEO on 9 May 2008

Mr Meng Fanqiu is the Chief Executive Officer/Executive Director of CAO. He is the Deputy Chairman of Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd and China Aviation Oil Xinyuan Petrochemicals Co. Ltd. He is also a Director of China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Limited.

Prior to his current appointment, Mr Meng was the Division Director of the Planning and Development Division of China National Aviation Fuel Group Corporation (“CNAF”) from December 2007 to May 2008. He had been involved in strategic planning, investment, company reform and legal policy issues since he joined CNAF in 2003. He led the steering committee for the restructuring of China Aviation Oil Supply Corporation which resulted in the formation of China National Aviation Fuel Corporation Ltd – one of the most strategic restructuring projects of CNAF. Mr Meng was one of the five members of the Corporate Governance Assessment Committee which was constituted during the restructuring of CAO.

Mr Meng was an official of the Civil Aviation Administration of China (“CAAC”) from 1991 to 2003 where he had extensive experience in law and enterprise reform. He was directly involved in the drafting and enacting of the PRC Civil Aviation Law – the first law on civil aviation in the PRC. He worked on the reform of the civil aviation management structure, and participated in the drafting of corporate reform plans for Air China Group, China Eastern Airlines Group, China Southern Airlines Group and logistic services. He was involved in the drafting of corporate reform plans for several Chinese airports. Mr Meng was the project leader of the merger between China Eastern and China Northwest Airlines. He was awarded the honorary title of “Elite Civil Servant” by CAAC.

Mr Meng graduated from China University of Political Science and Law (majored in International Economic Law) and holds a Master of Business Law from Renmin University of China. He is also a qualified legal attorney and is a qualified corporate legal advisor in the PRC. He attended trainings on Singapore’s regulatory environment held by the Singapore Exchange, Singapore Institute of Directors and Rajah & Tann. He is currently pursuing an EMBA at the National University of Singapore.

### 孟繁秋

首席执行官、执行董事

- 2006年3月28日加入董事会
- 2008年5月9日被任命为首席执行官

孟繁秋先生是CAO的首席执行官兼董事。他是上海浦东国际机场航空油料有限责任公司和中国航油集团新源石化有限公司的副董事长，也是中国航油集团京津管道运输有限责任公司的董事。

孟先生从2007年12月到2008年5月出任CAO首席执行官之前，是中国航空油料集团公司规划发展部总经理。他于2003年加入中国航空油料集团公司，从事战略规划、投资管理和企业改革以及企业法制工作。他曾是中国航空油料总公司改制重组项目综合组组长，改制后成立了中国航空油料有限责任公司，是中国航空油料集团公司最具战略意义的重组改制项目。孟先生是新加坡公司重组期间公司治理评估委员会5名委员之一。

孟先生于1991年至2003年任职于中国民航总局，直接参与了《中华人民共和国民用航空法》起草和制定工作——该法为中华人民共和国第一部关于民用航空的法律。2000年起，他开始从事民用航空管理体制深化改革工作：直接参与拟订民用航空企业的整体改制重组方案；直接参与拟订中国航空集团公司、中国东方航空集团公司和中国南方航空集团公司以及服务保障企业改革重组方案；直接参与拟订成都双流国际机场、西安咸阳国际机场、沈阳桃仙国际机场等机场的股份制改造方案和空管改革方案；具体负责东方航空公司兼并西北航空公司项目。他曾被评为民航总局优秀公务员。

他毕业于中国政法大学国际经济法专业，还获得了中国人民大学民商法硕士学位。他拥有中华人民共和国律师资格和中华人民共和国企业法律顾问资格。他曾参与由新加坡证券交易所、新加坡董事学会和立杰律师事务所主办的关于新加坡监管环境的培训课程。目前就读新加坡国立大学EMBA课程。

# Board of Directors

## 董事会

### Zhao Shousen

#### Non-Executive, Non-Independent Director

- Appointed to the Board on 28 March 2006
- Vice Chairman of the Audit Committee
- Member of the Risk Management Committee

Dr Zhao Shousen is a Senior Accountant (professor level). He is the Chief Accountant of China National Aviation Fuel Group Corporation ("CNAF"). He joined Shengli Petroleum Administration ("SPA") in 1986, and had held several senior management positions, including Deputy Division Director of the Finance Division, Deputy Director and Director of the Department of Financial Assets. He held the position of Chief Accountant of SPA between February 2000 and December 2001. Mr Zhao was appointed Director and Vice President of Sinopec Shengli Oil Field Co. Ltd. ("SSOFC") in May 2000, and subsequently as Director, Vice-President and Chief Accountant of SSOFC from December 2001. He was appointed Chief Accountant of CNAF in January 2006.

Dr Zhao holds a Bachelor's degree (Financial Accounting) from Shandong Economic Institute. He also holds a PhD in Industrial Economics from Beijing Jiaotong University.

### 赵寿森

#### 非执行、非独立董事

- 2006年3月28日加入董事会
- 审计委员会副主席
- 风险管理委员会成员

赵寿森博士是（教授级）高级会计师，他是中国航空油料集团公司总会计师。1986年他加入胜利石油管理局，此后曾担任财务处副处长、财务资产部副主任以及主任等职务，2000年2月至2001年12月任胜利石油管理局总会计师，2000年5月任中国石化胜利油田有限公司董事、副总经理，2001年12月任中国石化胜利油田有限公司董事、副总经理、总会计师。2006年1月，他被任命为中国航空油料集团公司总会计师。

赵先生拥有山东财经学院财会专业学士学位，北京交通大学产业经济学博士学位。

### Liu Fuchun

#### Independent Director

- Appointed to the Board on 28 March 2006
- Chairman of the Nominating Committee
- Member of the Audit Committee and the Remuneration Committee

Mr Liu Fuchun was the Director and CEO of China National Cereals, Oils & Foodstuffs Corp ("COFCO") from June 2000 to April 2007. Prior to this position, Mr Liu was an officer of the General Office of COFCO and an executive at its U.S. representative office from 1964 to November 1981. Between November 1981 and July 1985, he was the Deputy Consul of Chinese Consular Section in Vancouver. From July 1985 to June 1991, Mr Liu held the positions of Deputy Division Director, Division Director of Oils and Fats Division of COFCO, and General Manager of Top Glory (London) Ltd. From June 1991 to June 2000, he served as Vice President, Managing Director and Deputy CEO of COFCO.

Mr Liu holds the title of Senior International Commercialist awarded by the Ministry of Commerce of the PRC. He graduated from Beijing Foreign Trade Junior College and Beijing Foreign Trade Institute, where he majored in Accounting and English, respectively.

### 刘福春

#### 独立董事

- 2006年3月28日加入董事会
- 提名委员会主席
- 审计委员会和薪酬委员会成员

刘福春先生自2000年6月至2007年4月担任中国粮油食品进出口（集团）有限公司的董事兼总裁。在此之前，他从1964年 - 1981年11月先后任中国粮油食品进出口总公司综合处职员、驻美国代表处业务员；1981年11月 - 1985年7月任中国驻温哥华总领馆副领事；1985年7月 - 1991年6月先后任中国粮油食品进出口总公司油脂处副处长、处长、鹏利（伦敦）有限公司总经理；1991年6月 - 2000年6月先后任中国粮油食品进出口总公司副总经理、常务董事、副总裁。

刘先生拥有中华人民共和国商务部颁发的高级国际商务师职称。他毕业于北京外贸专修学院财会专业和北京外贸学院英语专业。

### Alan Haywood

#### Non-Executive, Non-Independent Director

- Appointed to the Board on 24 February 2011
- Chairman of the Risk Management Committee
- Member of the Audit Committee

Mr Alan Haywood is the President of Downstream Gas and Head of Commercial Development at BP Integrated Supply and Trading ("IST") since December 2010. He is responsible for the development of strategy and long-term commercial ventures across BP's supply and trading portfolio and leading

BP's downstream gas development. He is also responsible for the provision of analytical support for trading and for the management of BP's response to regulatory change.

Mr Haywood has more than 20 years of experience in the global energy industry. He has held various senior managerial positions at BP IST, including Chief Operating Officer (Global Gas), Head of Supply & Trading (Oil Europe & Finance), Business Unit Leader of BP IST Northern Europe Gas & Power and Regional Business Leader of BP IST Energy & Finance. He spent three years in BP Houston's North American Gas and Power, where he was responsible for the pricing, marketing and trading of structured products and the trading and marketing of natural gas and electricity in the Midwest.

Mr Haywood holds a Bachelor of Arts from Merton College, Oxford University.

### Alan Haywood 非执行、非独立董事

- 2011年2月24日加入董事会
- 风险管理委员会主席
- 审计委员会成员

Alan Haywood先生于2010年12月被任命为BP综合供应与贸易(简称“IST”)下游天然气总裁及商业发展总监，负责BP供应与贸易业务的战略及长期商业投资，并且领导BP下游天然气业务的开发。他还负责为贸易业务提供分析性的支持，并负责管理BP对法规变化的应对策略。

Haywood先生在全球能源领域拥有超过20年的经验。他在BP IST 担任过多个高级管理职位，包括全球天然气业务的首席运营官、欧洲石油及财务的供应与贸易主管、BP IST北欧天然气与电力业务主管及BP IST能源与财务地区业务负责人。他曾在BP休斯敦的北美天然气与电力公司工作3年，负责结构性产品的定价、市场营销和贸易，以及中西部地区天然气和电力的贸易与市场营销。

Haywood先生为牛津大学莫顿学院的文学学士。

### Chen Liming Non-Executive, Non-Independent Director

- Appointed to the Board on 5 August 2009
- Member of the Remuneration Committee and the Nominating Committee

Mr Chen Liming is the President of BP China since November 2008 and also the Chairman of BP (China) Holding Company. He joined BP from Sasol China where he served as the Executive Vice President.

Mr Chen started his professional career in the field of petrochemical industry in Singapore since 1994. He worked consecutively as sales representative, business development manager, deputy general manager, general manager and managing director in several wholly foreign owned and sino-foreign joint ventures in areas of business development, negotiation on joint venture, commercial, and corporate management. He had served as executive director/non-executive director in several chemical and trading companies.

From 1991 to 1994, Mr Chen was a senior researcher in Singapore Institute of Standards & Industrial Research in charge of scientific research and negotiations on joint ventures. From 1986 to 1991, he studied and worked in Cornell University in the US. Before his studies in the US, he worked in a PRC institute for scientific research.

Mr Chen was awarded a Bachelor of Science degree from Shihezi University, Xinjiang, PRC, in 1982. He received a Master degree in Science from Cornell University in 1989 and completed the Advanced Management Programme at Harvard Business School in 2003.

### 陈黎明 非执行、非独立董事

- 2009年8月5日加入董事会
- 薪酬委员会和提名委员会成员

陈黎明先生于2008年11月加入BP，任BP中国总裁，BP中国控股公司董事长。加入BP前，陈先生曾任沙索公司中国区执行副总裁。

陈先生于1994年在新加坡开始其石油化工职业生涯，曾先后在外方独资和中外合资企业任职，历任销售代表、业务发展经理、副总经理、总经理、及董事总经理等职务，涉足业务开发、合资谈判、商务、以及企业管理工作。他还曾出任多家化学或贸易公司执行董事或非执行董事。

1991年至1994年他曾作为高级研究员就职于新加坡标准与工业研究院，负责科研和合资公司谈判等方面的工作。1986年至1991年他曾在美国康乃尔大学读书并工作，工作涉及贸易及销售领域。赴美前，陈黎明先生曾就职于国内一研究院，从事科研工作。

陈先生1982年获得现新疆石河子大学学士学位，并于1989年获得美国康乃尔大学硕士学位。他还于2003年顺利完成美国哈佛商学院高级管理课程。

# Board of Directors

## 董事会

### Ang Swee Tian

#### Independent Director

- Appointed to the Board on 14 November 2008
- Chairman of the Audit Committee
- Member of the Remuneration Committee, the Nominating Committee and the Risk Management Committee

Mr Ang Swee Tian is the Non-Executive Chairman of Singapore Mercantile Exchange Pte Ltd and an Independent, Non-Executive Director of Cosco Corporation (Singapore) Limited.

Mr Ang was the President of the Singapore Exchange Ltd (“SGX”) from 1999 to 2005 during which he played an active role in successfully promoting SGX as a preferred listing and capital raising venue for Chinese enterprises. Mr Ang also played a pivotal role in establishing Asia’s first financial futures exchange, the Singapore International Monetary Exchange (“SIMEX”) in Singapore in 1984 and was instrumental to establishing SGX AsiaClear which started offering OTC clearing facility in 2006. Following his retirement in January 2006, Mr Ang took on a new role as Senior Adviser to SGX until December 2007.

In March 2007, Mr Ang became the first person from an Asian Exchange to be inducted into the Futures Industry Association’s Futures Hall of Fame which was established to honour and recognise outstanding individuals for their contributions to the futures and options industry.

Mr Ang graduated from Nanyang University of Singapore with a First-Class Honours Degree in Accountancy in 1970. He was conferred a Master Degree in Business Administration with distinction by the Northwestern University in 1973.

### 汪瑞典

#### 独立董事

- 2008年11月14日加入董事会
- 审计委员会主席
- 薪酬委员会、提名委员会和风险管理委员会成员

汪瑞典先生是新加坡商品交易所的非执行董事长和中远投资（新加坡）有限公司的非执行独立董事。

汪先生于1999年至2005年担任新加坡交易所（“新交所”）总裁。在这期间，新交所成为中国企业挂牌和增资的首选市场，他在该过程中发挥了积极作用。汪先生在1984年成立的亚洲第一个金融期货交易中心——新加坡国际金融交易所（SIMEX）发挥关键作用，在设立新交所亚洲结算行（AsiaClear，于2006年开始提供场外结算工具）过程中做出杰出贡献。在2006年1月退休后至2007年12月，汪先生一直担任新交所高级顾问。

2007年3月，汪先生成为被选入美国期货协会（简称“FIA”）期货名人堂的首位来自亚洲交易所的业者。该奖项的目的在于表彰对期货和期权市场有杰出贡献的人士。

汪先生在1970年毕业于新加坡南洋大学，获得会计学一级荣誉学位。1973年，他以优异的成绩被美国西北大学授予工商管理硕士学位。

### Luo Qun

#### Non-Executive, Non-Independent Director

- Appointed to the Board on 26 February 2010
- Vice Chairman of the Remuneration Committee and the Nominating Committee

Mr Luo Qun is the Vice President of China National Aviation Fuel Group Corporation (“CNAF”). Prior to this appointment, Mr Luo was the President of CNAF Logistics (previously known as CNAF Hai Tian Transportation Co, Ltd) from September 2004 to August 2008 and concurrently assumed the position of Assistant to the President of CNAF from December 2007 to August 2008. Mr Luo had held several leadership positions within the CNAF Group and was the project leader of the construction of the new jet fuel supply facilities at Guangzhou Baiyun International Airport from 1999 to 2004. From 1996 to 2004, he was a Director of South China Bluesky Aviation Oil Co., Ltd, a joint-venture between CNAF, BP Global Investments and Fortune Oil PLC.

Mr Luo holds a Master degree in Engineering from South China University of Technology and an Executive Master of Business Administration from National University of Singapore. He is a qualified Senior Engineer, Certified Senior Manager and Certified Senior Risk Manager.

### 罗群

#### 非执行、非独立董事

- 2010年2月26日加入董事会
- 薪酬委员会和提名委员会副主席

罗群先生是中国航空油料集团公司（简称“CNAF”）副总经理。被任命为CNAF副总经理之前，罗先生在2004年9月至2008年8月间担任中国航油集团物流有限公司（前身为中国航油集团海天航运有限公司）总经理。2007年12月至2008年8月，他兼任CNAF总经理助理。罗先生在CNAF集团担任过多个领导岗位，曾在1999年至2004年间担任广州新白云国际机场迁建供油工程指挥部指挥长。1996年至2004年间任华南蓝天航空油料有限公司董事（华南蓝天航空油料有限公司为CNAF、BP环球投资有限公司及香港富地石油有限公司的合资公司）。

罗先生获中国华南理工大学工程硕士、新加坡国立大学工商管理硕士学位。他是中国高级工程师、注册高级经理人和高级风险管理师。



**Extending our global reach by  
leveraging on competitive strengths  
and strategic partnerships**



# CEO's Review of Operations

## 首席执行官业绩回顾



**Meng Fanqiu**  
Chief Executive Officer/  
Executive Director

### Dear Shareholders,

2010 marks the first year of the implementation of CAO's five-year corporate strategy and I am pleased to report that it was a fruitful year for the Group. With the understanding and support from our shareholders and under the leadership of our Board of Directors, we seized new growth opportunities and overcome unfavourable external factors to implement our corporate strategy. At the same time, we continued to enforce stringent risk controls, fine-tune internal management processes and strengthen our ability to innovate. Our efforts resulted in CAO achieving yet another year of record performance. It was a good start as we strive towards our goals for 2014.

**Record Performance.** The Group achieved record high performance in 2010 for the third consecutive year for three key business indicators – jet fuel supply and trading volume, total revenue and net profit. Total jet fuel supply and trading volume of the Group for 2010 was 7.17 million tonnes, a year-on-year increase of 17%. Total revenue increased 50% to US\$5.5 billion and net profit rose 21% to US\$54.7 million. The financial position of the Group remains healthy. CAO distributed its first-ever interim dividend to its shareholders during the year under review. We also achieved our goal of zero accident and incident and zero harm to the environment in our business operations.

**Company's Standing Strengthened Considerably.** As at 31 December 2010, our credit and trade financing facilities increased to a record high of US\$1.3 billion. CAO was granted a lower concessionary tax rate of 5% with effect from 1 August 2010 (lowered from 10% previously) under the Global Trader Programme. We also bagged the Most Transparent Company Award 2010 (Runner-Up in the Foreign Listings Category) awarded by the Securities Investors Association (Singapore).

**Strong Appreciation of Share Price.** CAO's share price increased 35% in 2010, outpacing the benchmark Singapore Straits Times Index which rose 10% and the FTSE-STI China Index which increased 8% over the same period.

# CEO's Review of Operations

## 首席执行官业绩回顾

### Review: Forged Ahead Despite Challenges

The global economic recovery, coupled with the Shanghai World Expo and the Guangzhou Asian Games, created growth opportunities for CAO. On the other hand, uncertainties still exist in the global economy post-global financial crisis, which posed tough challenges to CAO in our efforts to grow the business. Competition stiffened as more traders returned to the market, which resulted in pressure on trading margins. The increase in China's domestic production and supply of jet fuel led to slower growth in the country's demand for imported jet fuel. Despite the complex and challenging external environment, we stayed the course and expedited the growth of our businesses.

### Fortified and Expanded Core Business of Jet Fuel Supply and Trading

Our jet fuel supply capability was further enhanced. We employed flexible means of procuring jet fuel from the international market and successfully fulfilled all deliveries of jet fuel to our customers during the year under review. We also ensured the supply of jet fuel to the People's Republic of China ("PRC") during the Shanghai World Expo and the Guangzhou Asian Games. Our efforts were recognised by our PRC customers and our parent company, China National Aviation Fuel Group Corporation ("CNAF"). We also offered value-added services to our PRC customers, such as providing market information and training.

We also continued to strengthen our entrepreneurial trading capability. We diversified our trading strategies by optimising storage facilities and traded via the Platts e-window. Besides supplying jet fuel to the Singapore Changi Airport through our business cooperation with BP and exporting jet fuel from West Pacific Petrochemical Co., Ltd ("WEPEC"), we have further expanded our trading activities to markets including Hong Kong, the United States, the Middle East and Australia. Not only did our entrepreneurial trading business help to mitigate

the impact of slower growth in PRC demand for imported jet fuel, it was also a main profit contributor to CAO's earnings for 2010.

### Progressive Growth in Trading of Other Oil Products

Our strategy for petrochemicals trading was fine-tuned, with stringent risk controls in place. We strengthened our links with the PRC market as we strive to build up structural advantages for petrochemicals trading. CAO commenced fuel oil trading in July 2010 and the fuel oil trading book was profitable in its first year of business.

### Pressed Ahead on Assets Investments

Our present priority in building up a strong asset base is to establish a network of oil storage assets to complement our trading businesses. CAO has leased oil storage tanks in South Korea and the coastal areas of China. We are making progress in our efforts to acquire or build storage assets in the Asia Pacific region and to seek acquisition opportunities in line with our corporate strategies.

### Deepened Long-term Cooperation with BP

CAO signed the 2011-2014 Collaboration Agreement with BP on 12 October 2010. Not only does this business collaboration provide CAO with access to new markets such as the Middle East and Europe, it also increases our trading volume, extends our geographical reach and significantly strengthens our trading capabilities.



CAO was awarded Most Transparent Company (Runner-Up in the Foreign Category) of SIAS Investors Choice Award 2010



CAO signed a 4-year business collaboration agreement with BP Singapore in October 2010

# CEO's Review of Operations

## 首席执行官业绩回顾

### Enhanced Risk Management Practices

We continued to uphold our risk management principles of “Effective Control, Timely Support and Balanced Growth” and fostered a risk awareness culture where all employees are engaged and risks are managed from all aspects. We strengthened the risk management system and optimised the management process to effectively control risks and support business growth. We monitored global and PRC economic and political developments closely, identified new risk factors and conducted stress tests to ensure that the risks relating to business expansion and day-to-day business activities were manageable.

### Maintained High Standards of Corporate Governance

In view of CAO's plan to entrench its position in the PRC market and to grow its jet fuel supply and trading business and the importance of its parent company, CNAF to CAO's future business growth and strategic development, the Board unanimously approved the appointment of Mr Sun Li, President of CNAF and a CNAF nominee director as the Chairman of CAO. Concurrently, our former Chairman, Dr Wang Kai Yuen was appointed as Deputy Chairman and Lead Independent Director. The appointment of Dr Wang as Lead Independent Director is over and above the requirements of the 2005 Code of Corporate Governance and testament to our efforts to uphold high standards of corporate governance.

### Strengthened Internal Management

Our internal management system, policies and operating procedures were fine-tuned and optimised during the year over three phases. The capabilities of our staff were strengthened through various professional training courses. Several team

building activities were also organised to reinforce the sense of accountability and belonging amongst our employees and to strengthen team bonding.

### Initiatives to Shape Corporate Culture

We promoted our core corporate values of “Fairness, Integrity, Innovation and Transparency” and strengthened the cohesiveness of our people through team building activities and leveraging on channels including our intranet, internal newsletter and corporate website.

Efforts and resources were devoted to implement CAO's Corporate Social Responsibility (“CSR”) programme to return to the society, promote a positive image of CAO and to benefit the communities in which we work and live. CAO worked with a prominent Chinese new immigrant association, Tian Fu Club (Singapore), to set up the CAO - Tian Fu Bursary Fund. The objective of this bursary fund is to provide financial assistance to new immigrant students from lower-income families and to assist lower-income new immigrants to upgrade their skills in order to enhance employability. We also worked with Beyond Social Services to provide assistance towards the education of children from lower-income families. CAO also organised various activities and implemented initiatives to cultivate the awareness of our staff on environmentally-friendly habits.

### Outlook

Whilst CAO achieved good performance in 2010, we were confronted with two main challenges: (i) lack of substantial progress in assets investment; and (ii) jet fuel remains as the single core business of CAO. In essence, CAO has yet to fully diversify its business and transform into an integrated trading company with synergetic assets.



Donation to Beyond Social Services to fund activities for the children



We successfully ensured the supply of jet fuel to our customers in the PRC during the Shanghai World Expo and Guangzhou Asian Games

# CEO's Review of Operations

## 首席执行官业绩回顾

Going forward, we have a more complex business environment ahead of us in 2011. The global economic recovery has created more growth opportunities. However, with inflationary risks, geopolitical unrests and other uncertainties looming in the global economy, we expect greater volatility in the oil product markets. Rising oil prices has also increased business risks. On the other hand, we expect more intense competition as the global economy continues to recover.

Nonetheless, we expect the global economy to sustain its growth momentum. In particular, the expected robust growth of the Chinese economy will continue to drive the rapid growth of the PRC civil aviation industry, which will in turn boost jet fuel demand. CAO will capitalise on its competitive strengths and expedite its business transformation according to its corporate strategy to strive to achieve its strategic goal of becoming a leader in the Asia Pacific jet fuel market and an important player for other oil products.

### Expediting Transformation to Achieve a Leap in Development

In 2011, we will continue to consolidate and expand our core business of jet fuel supply and trading. Besides further enhancing our jet fuel supply ability and quality of customer service, we will continue to expand entrepreneurial trading activities and explore new markets.

CAO is proactively building up its structural advantages for other oil products. We will continue to strengthen our trading capabilities and expand into markets outside the PRC. We will also strengthen cooperation ties with our sister companies to leverage on CNAF's competitive strengths and further develop our business in the PRC.

CAO will strive to achieve a breakthrough in asset investments. Our focus is to establish a network of oil storage assets for trading activities and we will intensify efforts to build up structural advantage for other oil products. We will also proactively seek acquisition opportunities to strengthen CAO's asset base.

We will maintain stringent risk control practices and undertake a comprehensive evaluation and upgrading of the risk management system. We will continue to uphold high standards of corporate governance and strengthen internal management practices.

CAO will continue to build up a people-oriented corporate culture. We will devote more resources to staff training in order

to strengthen the competencies of our people to achieve strategic goals. We will also continue to implement our CSR programme to contribute more to society.

### Acknowledgements

Shareholders' expectation is the driving force for CAO's growth. The support from our shareholders forms the foundation of CAO's growth. As such, I would first and foremost like to extend my appreciation to all our shareholders, especially to our parent company, CNAF for its strategic support to CAO, which provides a strong base for CAO's future growth. I would like to thank BP for its support in the areas of international trading and risk management. My appreciation also goes to all other shareholders. Your understanding and support affirms our confidence in CAO's future.

I would like to express my gratitude to our Board of Directors led by Mr Sun Li and former Chairman Dr Wang Kai Yuen. CAO would not have been able to achieve its strong performance without the wise leadership of the Board. CAO and I have benefited immensely from the guidance and professional experience of the directors.

I am thankful to our business partners, which include China National Aviation Fuel Corporation Ltd and other major suppliers. I look forward to deepening our cooperation with them for mutual benefit.

My appreciation also goes to our associated companies – SPIA, TSN-PEKCL and Xinyuan. The development of our associated companies has become an integral part of CAO's corporate strategy.

People is the most valuable asset of CAO and the critical factor to its growth. I sincerely appreciate the hard work of all CAO employees over the past year. Their strong sense of commitment and team-spirit were crucial to the strong performance of CAO.

Last but not least, I would like to thank the government agencies, organisations and friends in China and Singapore. Your support has played an important role in the growth of CAO.

**Meng Fanqiu**  
CEO/Executive Director

# CEO's Review of Operations

## 首席执行官业绩回顾

### 尊敬的各位股东：

2010年作为公司2010年—2014年5年发展规划的起步之年，是一个丰收年。在股东的理解和支持下，在董事会的领导下，公司管理层带领全体员工，积极抓住新的发展机遇，努力克服不利影响，坚定不移地实施公司发展战略，严格控制风险，不断夯实精细化管理基础，大力提升创新开拓能力，再创历史最佳业绩，实现了健康有序增长，为实现2014年的战略目标开了一个好头。

**经营业绩创历史最高。**公司2010年航油业务量达到717万吨，同比增加17%；销售收入达到55亿美元，同比增加50%；净利润为5470万美元，同比增加21%。业务量、销售收入和净利润均连续三年创历史新高。公司财务状况稳健，首次进行期中分红。安全运营实现“零差错、零事故、零污染”。

**公司信誉大幅提升。**截至2010年12月底，银行信用与贸易融资额度已达13亿美元，为历史最高；新加坡国际企业发展局将公司“全球贸易商计划”的优惠税率由10%提升到5%，自2010年8月1日起生效；荣获新加坡证券投资者协会授予的“最透明公司奖”海外企业组第2名。

**公司股价增长强劲。**截至2010年12月底，公司股价比年初增长35%，远远高于海峡时报指数10%和富时中国股指数8%的增长幅度。

### 回顾：应对挑战 顺势而上

2010年，全球经济回暖，加之中国举办上海世博会和广州亚运会，为公司带来了难得的发展契机。但后危机时代，依然存在诸多不确定因素，全球经济环境不稳定。更多贸易家重归市场，竞争加剧，利润空间缩小。中国国内产量增加，航油进口需求增长放缓。这些不利因素也为公司业务拓展带来了严峻挑战。面对复杂多变的外部环境，公司以不变应万变，始终坚持既定的发展战略，加快推进业务发展。

### 巩固和扩大航油供应与贸易核心业务

持续提高供应能力。继续采取灵活多样的方式进行国际采购，圆满完成全年进口航油采购和供应任务，成功地保障了上海世博、广州亚运会期间的进口航油供应，得到国内用户的肯定，受到母公司——中国航空油料集团公司（简称“CNAF”）的嘉奖。通过提供市场信息和培训等方式，不断为国内用户提供增值服务。

不断提高自营贸易能力。丰富贸易手段，积极开展储罐贸易，开始在普氏窗口进行交易；通过与BP的业务合作向新加坡樟宜机场供应航油；继续为大连西太平洋炼厂销售出口航油；贸易区域进一步扩大到中国香港、美国、中东、澳大利亚等地。自营贸易不仅有效缓解中国航油进口需求增长放缓的不利影响，也成为公司重要的利润来源。

### 稳步开展其他油品贸易

在严格控制风险的前提下，不断改进化工贸易策略，加强与中国市场的联系，致力于建立结构性的贸易优势；7月份开始燃料油贸易，实现了当年启动，当年赢利。

### 大力推进实业投资

以建立适应公司贸易战略需求的仓储网络项目为重点，打造公司资产优势。已在韩国和中国沿海地区租用储罐。集中力量在亚太区域购建仓储设施，开展符合公司发展战略的资产并购活动，目前均取得了一定积极进展。

### 深化与BP长期业务合作

2010年10月12日，CAO与BP签定《2011—2014年合作协议》，使我们有幸进入中东、欧洲等新的市场，不仅放大公司的贸易量和贸易区域，也将大大提高我们的贸易能力。

### 优化提升风险管理

坚持“管控有效、支持有力、平衡发展”的风险管理理念，打造“全程管理、全员参与”的风险管理文化，持续提升风险管理能力。改进风险管理系统，优化管理程序，有力支持业务发展，有效提高效率。及时把握国际和中国的经济形势和政治环境，发现新的风险点，适时进行压力测试，保障公司的业务拓展和各项经营活动完全在可控的风险限度内有序、规范、健康进行。

# CEO's Review of Operations

## 首席执行官业绩回顾

### 持续保持高标准公司治理

考虑到公司计划强化在中国市场的地位、实现航油供应与贸易业务的持续增长，以及母公司CNAF对公司未来业务增长与战略发展扮演举足轻重的角色，董事会一致通过母公司派出董事、CNAF总经理孙立出任公司董事长。董事会同时任命原公司董事长王家园博士为副董事长兼任首席独立董事。任命王博士为首席独立董事这一安排超出了新加坡2005年公司治理条例的要求，表明公司持续保持高标准公司治理的理念。

### 全面加强公司基础管理

进行业务流程梳理和优化。分三个阶段完成了管理体系优化、管理制度完善、业务流程细化。

加强业务培训、团队建设。公司通过进行各专项培训，提升员工专业能力。公司通过全体员工参与的团队建设活动，增强员工的责任感、归属感、凝聚力和执行力。

### 创新企业文化建设

通过公司的内外网站、内部刊物、团队建设等方式，宣传“公平、诚信、创新、透明”的企业核心价值观，提高员工凝聚力。

公司大力推进社会责任计划，回馈社会并提升公司健康的公众形象和社会影响力。与新加坡当地华人新移民社团——新加坡天府会设立教育助学基金，主要资助来自低收入家庭或生活困难的新移民儿童求学，以及资助低收入新移民就业人士提升技能；与彼岸社会福利合作，协助新加坡当地低收入家庭的儿童教育。通过参与一系列社会公益活动和引导员工的节约意识，提倡节能环保的理念，履行企业所承担的社会责任。

### 展望

回顾2010年，公司虽然取得了比较好的经营业绩，但也面临一些挑战，主要表现在两个方面：一是公司在实业投资方面仍没有实质性的进展；二是航油业务一枝独秀的局面并没有从根本上改变。归根结底，公司还未实现真正的转型。

展望2011年，我们面临着更加复杂的经营环境。虽然全球经济进一步回暖，给我们提供了发展空间，但由于通货膨胀等因素所带来的全球经济的不稳定性，加之局部政治动荡，使

得2011年的油品市场更加变幻莫测。高油价的状态下，经营风险日益加大。经济的进一步复苏，也意味我们面临着竞争愈发激烈。

虽然存在诸多不利因素，我们预期全球经济形势应是持续呈增长趋势，特别是中国经济的快速发展，将继续拉动中国民航业快速增长，相应地，对航油的需求也会继续增加。在这一大背景下，CAO要充分发挥自身优势，按照既定的战略方针，加速促进公司快速转型，努力实现“亚太地区航油贸易的领先者和其他油品贸易的重要参与者”的战略目标。

### 促进转型 跨越发展

2011年，我们将继续巩固和扩大航油核心业务。持续提高航油供应保障能力，努力提升服务品质；继续大力拓展自营贸易，尝试进入新的航油供应市场。

公司将积极建立其他油品贸易的结构性优势。丰富贸易手段，开拓中国以外的市场。加强与母公司所属公司的合作关系，利用母公司的优势，进一步开拓中国市场。

公司将集中力量实现实业投资的突破。将以建立完善的贸易仓储网络为重点，加快建立航油以外其他油品贸易的结构性优势，积极寻求并购机会，快速增强公司实业基础。

全面评估和提升风险管控系统，严格控制风险。坚持高标准的公司治理，确保公司规范运作。继续深化基础管理工作，优化业务流程，提高效率。

“以人为本”，不断加强企业文化建设。更加关注人员与能力发展，确保员工具备与实现公司战略目标相匹配的综合能力。进一步履行社会责任，更多的回馈社会。



# CEO's Review of Operations

## 首席执行官业绩回顾

### 致谢

股东的期待，始终是公司发展的动力。股东的支持，永远是公司发展的保障。在此，我首先向全体股东表示感谢！要特别感谢母公司CNAF在战略上给予CAO的支持！这是公司发展的基础和成长的空间。感谢BP在国际贸易和风险控制方面所给予的帮助！感谢全体股民，你们的理解与支持，使我们对公司的未来充满信心！

感谢孙立先生及前任董事长王家园博士领导的董事会，董事会的正确决策，是我们能够取得业绩的决定因素。感谢各位董事的具体指导，董事的专业经验使公司和我本人获益匪浅。

感谢中国航空油料有限公司以及各大供应商等商业伙伴，期待我们不断加深合作，互利共赢。

感谢上海浦东航油、管输公司和新源公司，联营公司的发展，已经成为CAO发展战略的重要组成部分。

员工是公司最宝贵的资源，也是公司发展的关键因素。衷心感谢CAO全体员工一年来的辛苦工作。正是他们无私奉献和协作精神，公司才取得今天良好的经营业绩。

最后，感谢所有关心和支持CAO的中新两国的相关机构、组织和各界朋友，在你们的支持下，CAO才能健康成长。

**孟繁秋**

首席执行官兼执行董事





## Management 管理层



From left to right:

(Standing) Head of Operations (Mr Yong Sin Han)  
 Head of Investor Relations (Ms Loh Woon Yen)  
 Head of Trading (Ms Elizza Ding)\*  
 Head of Legal / Company Secretary (Mrs Doreen Nah)  
 Head of Finance (Ms Tee Siew Kim)  
 Head of HR & Admin (Ms Lily Choo)  
 Head of Business Development (Ms Han Jing Xieng)  
 Executive Assistant to CEO (Ms Su Wen)

(Sitting) CFO (Mr Wang Chunyan)  
 Head of Risk Management (Ms Cheryl Chan)  
 CEO / Executive Director (Mr Meng Fanqiu)  
 Assistant to CEO (Mr Guo Feng)

左到右:

(站) 运作部主管(熊新汉)  
 投资者关系部主管(罗文燕)  
 贸易部主管(丁鑫莉)\*  
 法律部主管兼公司秘书(蓝肖蝶)  
 财务部主管(郑秀琴)  
 人力资源和行政部主管(朱莉莉)  
 业务发展部主管(韩靖娴)  
 首席执行官执行助理(苏雯)

(坐) 财务总监(王春焱)  
 风险管理部主管(陈逸雯)  
 首席执行官/执行董事(孟繁秋)  
 首席执行官助理(郭峰)

\*Effective 1<sup>st</sup> April 2011  
 2011年4月1日生效

# Key Management

## 管理层主要人员简介

### Meng Fanqiu

Chief Executive Officer / Executive Director

As the CEO, Mr Meng Fanqiu is responsible for the effective management and smooth running of the entire business of the Group. He develops and implements business strategies and corporate plans to enhance the competitiveness and profitability of the Group. He provides leadership and directions to the various business functions to achieve performance targets, ensures overall business growth and provides supervision and leadership in the review of business results announcements.

Please refer to profile of Mr Meng under “Board of Directors” section for more information.

### 孟繁秋

首席执行官 / 执行董事

作为首席执行官，孟繁秋先生负责有效管理和平衡经营 CAO 集团的整体业务。他负责贯彻落实业务发展战略规划，提升本集团的竞争力和盈利能力。他也负责和主导各业务单位，使其达到预期目标，确保整体业务增长，并且监督和负责审核业绩公告。

关于孟先生更详细的介绍，请参阅“董事会”部分。

### Wang Chunyan

Chief Financial Officer

As the Chief Financial Officer, Mr Wang Chunyan directs and manages CAO's overall financial plans and accounting practices. He oversees the treasury, accounting, budget, tax and audit functions of CAO and also assists the Chief Executive Officer to oversee the IT and risk management functions.

Mr Wang has more than 14 years of experience in China's petroleum industry. Prior to joining CAO, Mr Wang was the Deputy Head of Financial Assets Division at Shengli Petroleum Administrative Bureau, a subsidiary of SINOPEC.

Mr Wang began his career with Hekou Oil Production Plant, a subsidiary of Shengli Petroleum Administrative Bureau in 1993. He held several senior positions within the Financial Assets Division of Shengli Petroleum Administrative Bureau before his appointment as Deputy Head of Financial Assets Division in May 2006.

Mr Wang is a qualified Senior International Finance Manager and Senior Accountant. He holds a Bachelor's Degree in Economics majoring in Accountancy from Changchun Taxation College, China.

### 王春焱

财务总监

作为财务总监，王春焱先生负责领导和管理 CAO 整体财务规划与会计事务。他监管 CAO 的资金运作、会计核算、预算、税收和审计事宜，并协助首席执行官监管公司的 IT 和 risk 管理工作。

王先生在中国的石油业有超过 14 年的经验。在加入 CAO 之前，王先生是胜利石油管理局财务资产部副主任。胜利石油管理局是中国石油化工集团公司的下属企业。王先生于 1993 年参加工作，在胜利石油管理局河口采油厂工作。他在胜利石油管理局财务资产部担任几个高级职位，之后于 2006 年 5 月被任命为财务资产部副主任。

王先生拥有高级国际财务管理师和高级会计师资格，并拥有中国长春税务学院会计系会计学专业经济学学士学位。

# Jet Fuel Supply & Trading

## 航油供应与贸易

### Focused execution delivers strong performance

CAO continued to adopt a proactive and yet prudent trading strategy in 2010, which resulted in the robust growth of the jet fuel supply and trading business in 2010. Not only did we ensure the supply of jet fuel into the PRC during the Shanghai World Expo and Guangzhou Asian Games, we also successfully expanded our jet fuel business. Following our expansions into Australia and North America in 2009, we further extended our jet fuel trading business into the Middle East and Europe in 2010.

In 2010, the recovery of the global economy and stable economic growth in China propelled strong growth in the PRC's civil aviation industry and jet fuel demand. PRC's total air passenger traffic in 2010 was 16% higher than 2009. Two major international events – the Shanghai World Expo and the Guangzhou Asian Games – boosted PRC's international air traffic and demand for imported jet fuel.

As the largest purchaser of physical jet fuel in Asia Pacific, CAO further strengthened its supply and trading capability and significantly enhanced customer service to the PRC receivers through effectively employing a combination of procurement methods, tenders, term contracts and spot purchases. The flexibility and profitability of our jet fuel trading business is further enhanced through the integration of our procurement and trading activities. On the other hand, we capitalised on our strength as the largest physical jet fuel buyer to optimise trading opportunities, which has resulted in higher trading volumes and profit. Total jet fuel supply and trading volume in 2010 was 7.17 million tonnes, 17% higher than 6.15 million tonnes in 2009.

Oil prices trended upwards in 2010 amidst complex and volatile global economic conditions. Crude oil price, which

was as low as US\$69.50 per barrel in early 2010, ended the year at a high of US\$91.51 per barrel. By using instruments such as swaps and futures to hedge our positions, our trading activities remained profitable and the impact of fluctuating oil prices was minimised.

CAO's ship chartering activities have also grown in tandem with the increase in jet fuel physical trading volumes. In 2010, besides spot charters, CAO also used Contracts of Affreightment (COAs) to ship jet fuel. In addition, CAO started to use Freight Forward Agreements (FFAs) to hedge against freight exposures and reduce freight risk. These initiatives also enhanced our logistics management capability and significantly enhanced the security, quality and timing of our jet fuel cargoes.

CAO expanded its storage capacity in 2010. Besides South Korea, CAO leased jet fuel storage tanks in Northern and Southern China. Having access to more storage facilities not only strengthened our ability to ensure jet fuel supply and enhanced our logistics management capability, it also created more trading opportunities.

Looking ahead in 2011, we expect CAO's jet fuel supply and trading business to continue to grow. We will focus on enhancing our customer service to the PRC receivers by ensuring jet fuel supply and providing value-added services. We will also continue to proactively expand our business outside the PRC and strengthen our trading capabilities. Whilst uncertainties remain in the path of economic recovery, the growth trend has become more apparent. Worldwide economic growth will lead to a rebound in the global civil aviation industry and jet fuel demand. The growth of Asia Pacific economies – particularly that of China – is expected to boost the growth of China's domestic and international air traffic. Hence, we expect jet fuel import volumes to sustain stable growth in the year ahead.



# Jet Fuel Supply & Trading

## 航油供应与贸易



### 集中优势，成果突出

2010年，CAO继续推行积极稳妥的贸易策略，航油供应与贸易业务快速、稳定增长。CAO不仅出色地确保了上海世博会和广州亚运会的航油供应保障，而且成功地将航油业务范围进一步拓展，继2009年延伸至澳洲和北美之后，2010年航油业务又拓展至中东和欧洲地区。

2010年，在全球经济回暖以及中国经济稳定增长的大背景下，中国民航产业以及航油需求都呈现出良好的增长态势。2010年中国民航客运量与2009年相比增长了16%。在上海举行的世博会以及在广州举行的亚运会都是举世瞩目的国际盛事，推动了中国国际航空运输以及航油进口需求的增长。

作为亚太区最大的航油实货买家，CAO熟练运用招标采购、长期合同、现货采购等多种方式开展业务，从而形成多种采购模式灵活有效的组合，进一步提高了供应保障能力，大大提升了对国内用户的服务品质。同时，采购活动和贸易活动并行，使得CAO的航油业务具有更多的灵活性和更强的盈利能力。CAO利用自己在实货市场上的贸易量优势，不断寻找机会进行贸易优化，不仅增加了业务量，而且也带来了额外的利润。2010年航油供应和贸易量达到717万吨，比2009年的615万吨增长了17%。

由于受到复杂多变的国际经济形势影响，国际油价在2010年呈波动上升态势。原油价格年初最低时跌至每桶69.50美元，而年末则收于每桶91.51美元的高位。在这样的市场环境下，CAO成熟运用掉期、期货等方式进行套期保值，使得利润保持稳定，最大程度地减少了油价波动的影响。

随着航油实货贸易量的增加，CAO的租船业务规模也不断增长。在2010年，除了现租之外，CAO也通过包运租船的方式运送航油，并开始通过运费掉期等方式进行运费套期保值，提高了抵御运费市场风险的能力。同时，这些业务增强了我们的物流管理能力，显著提升了对保障供货安全、货品质量、供货时间等的保障能力。

CAO在2010年大力扩展储罐业务。除韩国之外，目前CAO在中国华北地区和华南地区都新增了储罐。更多的储罐为供应活动提供了更好的安全保障和物流保障，同时也为贸易活动带来了更多的机会。

展望2011年，我们期望CAO的航油供应与贸易业务继续大步前进。公司将以进一步提升对国内用户的服务品质为重点，确保供应安全，创造增值服务，同时，要积极拓展中国以外的业务，不断提升贸易能力。放眼世界，尽管经济复苏的过程仍然具有不确定性，但总体经济上升的势头已经日趋明显，世界经济增长将带动全球的航空业反弹从而提高全球的航油需求。在亚太地区特别是在中国良好的经济发展势头带动下，预计中国的国内及国际航空需求将会进一步提高，航油进口量预计也将继续保持稳定增长。

# Trading of Other Oil Products

## 其他油品贸易

### Building up new growth drivers

Notwithstanding the challenging trading environment, we continued to grow our business in petrochemicals trading and successfully established our presence in the Asia Pacific fuel oil market.

#### Petrochemicals

In 2010, total trading volume of petrochemical products increased 73% as compared to 2009 to 462,000 tonnes with a total value of US\$425 million. The number of eligible trading counterparties increased to 63 as at end of 2010 as compared to 40 a year ago. Our counterparties include regional producers and consumers, oil majors and international trading companies. Products traded included benzene, toluene, paraxylene and ethylene. The products were mainly sourced from and sold to Korea, China, Indonesia, Singapore and the Middle East. In view of anticipated market volatility and its potential risks, the team had taken precautions when dealing with smaller-capitalised counterparties, such as requiring cash collateral deposits in some cases for security and risk control purposes.

#### Fuel Oil

CAO commenced fuel oil trading in July 2010, as part of CAO's corporate strategy to diversify earnings streams. Despite the challenging trading environment in 2010, our fuel oil trading team successfully established CAO as an important player in the Asia Pacific fuel oil market by the end of the year. The team has built up effective relationships with oil majors, large trading houses and reliable end-users across Asia-Pacific. Total volume of fuel oil traded in 2010 was about 223,000 tonnes valued at US\$109 million.

CAO remains committed to grow its petrochemicals and fuel oil trading businesses prudently, with key focus on building sustainable competitive strengths in 2011.

### 建立新的增长点

尽管2010年贸易环境充满挑战，我们仍继续发展化工品贸易业务，并已成功地在亚太地区的燃料油市场占领一席之地。

#### 化工品

2010年，化工品的贸易总量为46.2万吨，较2009年增加73%，总价值为4.25亿美元。合格的贸易对家增至63家（2009年为40家），包括本区域的厂商和客户、石油巨头和国际贸易公司。贸易产品包括苯、甲苯、对二甲苯和乙烯，主要来自并销往韩国、中国、印尼、新加坡和中东等地。考虑到预期的市场波动可能带来的风险，化工品团队在与小资本对家交易时已采取了预防措施，包括在一些情况下要求对方提供现金抵押存款，确保交易安全，从而严格控制风险。

#### 燃料油

CAO于2010年7月启动燃料油贸易，将其作为CAO增加收入来源的发展战略的一部分。尽管2010年贸易环境艰巨，我们的燃料油贸易团队仍在年底前成功将CAO打造成为亚太地区燃料油市场的一个重要参与者。该团队已与亚太地区的石油巨头、大型贸易公司及可靠的终端用户建立了有效的合作关系。2010年燃料油贸易总量约22.3万吨，价值达1.09亿美元。

CAO将继续审慎地发展化工品和燃料油贸易业务，着力在2011年建立可持续的、结构性的竞争优势。



# Investments in Oil-related Assets

## 油品相关实业投资

### Shanghai Pudong Airport Aviation Fuel Supply Company ("SPIA")

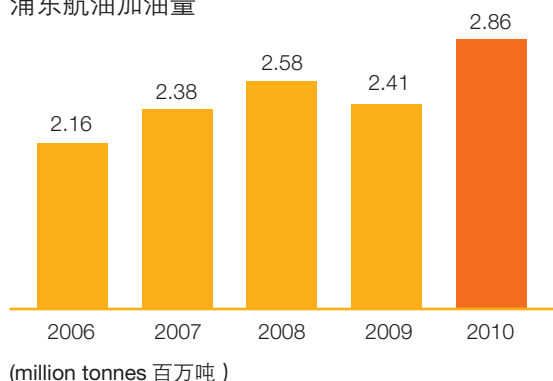
SPIA is the sole supplier of jet fuel to the airlines operating at Shanghai Pudong International Airport ("Pudong Airport"), the second largest airport in the PRC by air passenger traffic. SPIA provides jet fuel sales and refuelling services to 107 airlines, of which 75 are international airlines. Assets owned by SPIA include a full suite of hydrant systems, fuel-pumping trucks, fuel pumps, oil storage facilities within the airport and at the jetty, jet fuel storage capacity of 140,000 m<sup>3</sup> and a 42-km pipeline directly connecting Pudong Airport to Shanghai Waigaoqiao.

Boosted by the Shanghai World Expo, total passenger volume at Pudong Airport increased 28% to 40.59 million in 2010, surpassing the 16% growth rate of the PRC civil aviation industry. Aircraft movements at Pudong Airport increased 15% to 332,100. This led to an increase of 19% in SPIA's refuelling volume in 2010 to 2.8 million tonnes. Due to SPIA's stellar performance, CAO's share of profit from its 33% stake in SPIA increased 71% to a record high of US\$35.8 million.

Whilst the Shanghai World Expo boosted SPIA's refuelling volumes, it also presented unprecedented challenges to SPIA's jet fuel supply system. Nonetheless, SPIA rose to the challenge and successfully accomplished the task of assuring jet fuel supply during this period. During the Shanghai World Expo, SPIA refuelled 85,000 flights and jet fuel refuelling volume was 1.5 million tonnes, an increase of 20% and 22% respectively over the same period in 2009. An average of 464 flights was refuelled daily, with an average refuelling volume of 8,195 tonnes during the Shanghai World Expo. At the peak, SPIA refuelled 531 flights a day with 9,929 tonnes of jet fuel.

As the global aviation industry rebounds and China's economy continuing to grow rapidly, SPIA is expected to benefit from new growth opportunities in 2011.

SPIA Refuelling Volumes  
浦东航油加油量



### China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL")

TSN-PEKCL provides logistics services for the jet fuel requirements of Beijing Capital International Airport ("Beijing Airport") and Tianjin Binhai International Airport ("Tianjin Airport") using its principal asset, which is a 185-km long multi-oil product pipeline ("Pipeline").

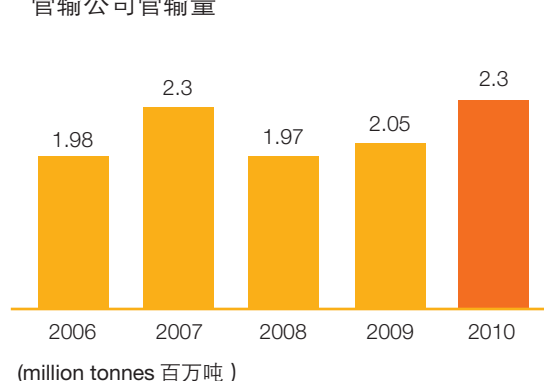
As the principal transportation channel for the supply of jet fuel to Beijing Airport - the largest airport in China, and Tianjin Airport, TSN-PEKCL's jet fuel transportation volumes has sustained stable growth. Jet fuel transportation volume increased 12% to 2.3 million tonnes in 2010, which accounted for about 70% of the total volume of jet fuel consumed at Beijing Airport and Tianjin Airport. However, due to an amortisation charge on intangible assets and an additional depreciation charge on TSN-PEKCL's property, plant and equipment, CAO's share of profit from its 49% equity stake in TSN-PEKCL decreased 65% to US\$1.0 million in 2010.

### China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan")

Xinyuan provides storage services and trades jet fuel and other oil products. Xinyuan's key asset is the Shuidong storage tank farm with a total capacity of 50,000m<sup>3</sup> near Shuidong harbour in the city of Maoming, in Guangdong province, PRC.

In 2010, Xinyuan achieved significant growth in its core business of jet fuel trading and storage and proactively expanded trading activities in other oil and petrochemical products. Xinyuan delivered another record performance and distributed its first-ever dividend payout to shareholders. Xinyuan's net profit jumped 182% year-on-year to RMB10.72 million on the back of 73% growth in sales revenue to RMB517 million.

TSN-PEKCL Pipeline Volumes  
管输公司管输量



# Investments in Oil-related Assets

## 油品相关实业投资

### 上海浦东国际机场航空油料有限责任公司

上海浦东国际机场航空油料有限责任公司（简称“浦东航油”）是中国第二大机场（按年旅客吞吐量排名）—上海浦东国际机场（简称“浦东机场”）的唯一航油供应商。浦东航油向在浦东机场运营的107家中国及其他国家航空公司（其中外国航空公司75家）提供销售和加注航油的服务，拥有并经营浦东机场全部加油设施，包括全套机坪管网、管线加油车队和罐式加油车队、航空加油站、机场内油库、码头油库、总库容量14万立方米的航油储罐，以及连接浦东机场与外高桥码头的42公里航油专用管线。

受上海世博会推动，浦东机场在2010年的总客运量增加28%至4059万，超过中国民航业平均16%的增幅。浦东机场飞机起降架次增加15%至33.21万架次。这也带动了浦东航油在2010年的加注量增加19%至280万吨。由于浦东航油业绩出色，CAO对浦东航油33%持股权的并账利润增加71%达3580万美元，为历来最高水平。

2010年的上海世博会既给浦东航油带来了航班量的快速增长，也为浦东航油的供油保障机制带来了前所未有的挑战。世博期间，浦东航油共加油8.5万架次、加油量151万吨，与2009年同期相比分别增长20%、22%；日均加油464架次，加油量8195吨；日高峰加油531架次、加油量9929吨，最终顺利、圆满地完成了浦东机场世博航班供油保障任务。

中国经济保持高速增长和全球航空业逐渐复苏，预期将为浦东航油2011年带来新的增长空间。

### 中国航油集团津京管道运输有限公司

中国航油集团津京管道运输有限公司（简称“管输公司”）拥有全长185公里的天津—北京管道，并通过该管道向北京首都国际机场和天津滨海国际机场提供航油输送服务。

管输公司投入运营以来，作为保障中国最大机场北京首都国际机场和天津滨海国际机场航油供应输送的最主要渠道，一直为上述两个机场提供持续、稳定的航油管输服务，航油管输量也保持稳定增长。2010年，管输公司航油输送量为230万吨，较2009年管输量增长12%，占北京、天津机场航油加注量的70%。但由于管输公司无形资产的摊销费用和不动产、厂房及设备的额外折旧费用，2010年CAO对管输公司49%股权的并账利润下降65%至100万美元。

### 中国航油集团新源石化有限公司

中国航油集团新源石化有限公司（简称“新源公司”）主要从事航油和其他油品的储运和贸易业务。新源公司的主要资产是位于中国广东省茂名的库容为5万立方米的水东油库。

2010年，新源公司在其核心业务航油贸易和仓储业务方面有明显增长的同时，积极拓展其他油品贸易业务，推动公司整体业绩显著提升，再次创下历史最好业绩，实现了自投入运营以来首次向股东分红。2010年，新源公司实现销售收入5.17亿元人民币，较2009年增长73%，实现净利润1072万元人民币，较2009年增长182%。



# Risk Management

## 风险管理

### Disciplined approach drives results

The risk management and control practices of CAO have remained effective and efforts were made to continuously enhance these practices in 2010. Our focus during the year was to strengthen existing systems, framework and policies to cater for continuous business growth. Efforts were also made to further embed the risk awareness culture within the organisation through trainings and workshops.

### The Risk Management Foundation

Our risk management foundation is built upon three main pillars: a) three-tier management and control structure; b) policies, guidelines and control framework; and c) systems, process and people.

### Three-Tier Management Control Structure

Our three-tier management and control structure has enabled sound governance and oversight over the execution of effective risk management practices for CAO.

At the Board level, the Risk Management Committee (“RMC”) oversees strategic risk management issues. The RMC sets the limits for various types of risks, such as market, credit, operational, compliance and reputational risks, and also approves new activities that CAO plans to embark on.

At the Management level, the Company Risk Meeting (“CRM”) plans and implements risk management activities to control risks such as market, credit, operational, compliance and

reputational risks. The CRM operates within the delegated authority set at the RMC level. The CRM is chaired by the Head of Risk Management, who reports to the CEO but has an independent direct reporting line to the RMC.

At the Operational level, the Risk Management Department ensures that risk management activities have been executed daily and that all risk-related policies, processes and limits are implemented and adhered to.

### Policies, Guidelines and Control Framework

The risk management policies, guidelines and control framework form the foundation for control processes necessary for effective risk management.

The Risk Management Manual communicates clearly: (a) the strategic goals and objectives of CAO; (b) the principal activities and corresponding key risks of CAO; and (c) the integrated risk management control framework that has been put in place to manage the identified key business risks. The manual also serves as a central repository of policies, procedures and delegation of authorities relating to trading and risk management.

The Trading Guidelines comprises the rules of trading compliance, trading principles and behaviour and general requirements related to an oil trading business. Compliance to the guidelines helps us to achieve the aim of conducting our business in accordance with good practices, high ethical standards and all applicable laws and regulations.





### Systems, Process and People

To effectively carry out the risk management and control policies, CAO has over the last few years, continuously invested in building up capabilities in the areas of trading, risk management and accounting systems, management processes and competencies of our people. An integrated front-to-back risk management information system allows us to capture transactions in a timely manner for risk reporting, financial reporting, settlement and credit exposure management. Control processes have been designed to capture key risks along the transaction pipeline and mitigating controls have been put in place to manage the risks. Regular tests of controls are carried out to ensure that processes have been carried out effectively. As part of our efforts to continuously strengthen people capabilities, we conduct trainings and workshops throughout the year to strengthen the knowledge of our people in the areas of oil trading and risk management.

### Supporting Business Growth

CAO is increasingly taking on new business activities to achieve strategic growth. Examples of key new activities in 2010 include the commencement of fuel oil trading, leasing of new storage facilities and new business collaboration with BP. A robust risk management structure has enabled CAO to embark on new activities on a strong foundation. In addition, a risk assessment process was put in place to ensure that new risks are being captured and relevant controls are put in place to support business growth.

A key objective of CAO's internal Investment Governance Standards is to identify risks associated with new investment projects and put in place mitigating controls before the commencement of any new activity or investment project. Governance and control measures are also in place. Besides obtaining prior approvals from the Board of Directors on new activities or investment projects, the RMC reviews the projects from a risk perspective. New projects or business activities are implemented at the company level within the delegated authorities from the RMC.

### Our Commitment to “Effective Control, Timely Support and Balanced Growth”

We continuously strengthen our ability to manage risks to support business growth. Besides leveraging on BP's extensive experience and control processes to improve internal control, we also facilitated interactions between the two major shareholders of CAO, i.e. CNAF and BP.

In the area of market risk, regular stress testing was carried out with a dynamic set of scenarios to capture the potential impact on our portfolio in the event of exceptional market conditions, with particular attention on the potential risks of low-probability events. More detailed analyses were done on the exposures, profit/loss and market value-at-risk (MVAR) of each trading portfolio to enable a more comprehensive understanding of the trading strategy and the impact on the company's performance.

In the area of credit risk, we have expanded our sources of information and analytic capabilities through subscriptions to external news sources and credit assessment tools. This has resulted in a more robust credit assessment process and enhanced ability to review more counterparties. Improvements were also made in our “know your customer” and anti-money laundering checks processes through subscriptions to data sources and streamlining work processes.

In the areas of operational risk and Enterprise Risk Management, efforts were made to embed the risk awareness culture throughout the organisation through activities such as offsite workshops, trainings and conducting regular tests on the adequacy of knowledge. During the year, all business units within CAO embarked on a structured process to improve work processes. We have also fine-tuned the process of evaluating and ranking the operational and enterprise risks that CAO faces. This has enabled a more structured approach in assessing risks, testing of controls and escalating alerts to the Management.

In CAO, we believe that a strong risk management foundation is critical as we expand our trading business. We remain fully committed to continuously strengthen our risk management capabilities.



# Risk Management

## 风险管理

### 规范运营，保障业绩

2010年风险管理持续保持有效，并不断改善和提升。2010年的工作重点是强化现有系统、框架和政策以适应业务的持续发展，并通过培训和研讨的形式将风险意识文化进一步融入组织机构。

### 风险管理基础

我们的风险管理基础建立在三大支柱之上：

- a) 三重管理和控制架构；
- b) 政策、指导方针和控制框架；
- c) 系统、流程和人员。

### 三重管理控制架构

三重管理控制体制为CAO有效的风险管理提供了强有力的治理和监控。

在董事会层面，风险管理委员会负责监管战略风险管理问题。风险管理委员会设定各种风险类型的限额，如市场、信用、运作、守规和信誉等风险，并且审批CAO计划开展的新业务。

在管理层层面，公司风险会议在风险管理委员会授权之下，负责市场、信用、运作、守规和信誉等各类风险管理活动的组织和实施。主席由风险管理部主管担任，既向首席执行官负责，同时也有权直接、独立地向风险管理委员会汇报。

在运作层面，风险管理部负责日常风险管理业务的执行，并负责确保所有与风险相关的政策、流程和限额得到遵守和落实。

### 政策、指导方针和控制框架

风险管理政策、指导方针和控制框架形成了有效的风险管理必备的控制流程基础。

《风险管理手册》清晰的阐述了以下内容：一是CAO的战略目标；二是CAO的主要业务及相应的主要风险；三是用于管理主要业务风险的综合风险管理控制架构。与贸易和风险管理相关的政策、流程和授权主要以该手册为基础制定。

《贸易守则》包含了贸易守规准则、贸易原则和行为标准，以及与油品贸易业务相关的一般性要求。该守则有助于我们按照良好的实践准则、高度的道德标准和适用的法律法规指导业务健康运营。

### 系统、流程和人员

为了有效的执行风险管理和控制政策，在过去几年里，CAO持续投入建设和提升贸易和会计系统能力、管理流程和人员素质。一个整合前中后台的风险管理信息系统使我们能够及时跟进交易，用于风险报告、财务报告、结算和信用敞口管理。我们设计了控制流程，捕捉交易过程中的主要风险，并采取适当的风险缓解控制措施；进行定期控制测试，确保各项流程富有成效地开展；在过去一年内举行了培训和研讨会，加强员工在油品贸易及风险管理方面的知识。

### 支持业务成长

CAO不断增加新的业务以实现战略性的增长。2010年的主要新业务包括启动燃料油贸易、租赁新储罐以及与BP开展新的业务合作。一个健全的风险管理框架保证了CAO在坚实的基础上开展新业务。此外，风险评估流程确保了公司及时识别新的风险，以及落实相关管控措施以支持业务的增长。

CAO内部投资治理标准的主要目的是确定与新投资项目相关的风险，并在开展新业务或投资项目之前实施相应的风险缓解措施。治理和控制措施均已到位：除了在开展新业务或新投资项目之前需要先获得董事会的批准之外，风险管理委员会也会从风险的角度审查新项目。公司在风险管理委员会授权下实施新项目或业务。

### “管控有效、支持有力、平衡发展”的承诺

2010年，我们借鉴了BP等国际大石油公司的先进经验和做法，加强与CNAF和BP两大股东的交流，持续强化风险管理的能力以支持业务的发展。

在市场风险方面，设定一组动态场景定期进行压力测试，预测在异常的市场情况下可能对公司造成的影响，特别关注小概率事件对公司可能造成的风险。通过对交易敞口、盈亏和市场风险值进行详细的分析，更加全面的了解贸易策略以及对公司业绩的影响。

在信用风险方面，我们通过订阅外部新闻来源和信用评估工具，扩大了信息渠道，增强了分析能力，形成了一套更健全的信用评估流程，提高了审核更多对家的能力。我们通过订阅数据源和改善工作流程，加强了“了解客户需求”和反洗钱的检查程序。

在运作风险和企业风险管理方面，通过研讨会、培训和定期测验等活动，在组织机构中融入风险意识文化。公司各部门也针对自己的工作流进行改进。我们还调整了评估和评定CAO面对的运作和企业风险的流程，使得风险评估、控制测试以及向管理层发出预警的方法更有系统性。

我们相信强有力的风险管理基础对CAO拓展贸易业务举足轻重。我们持续致力于不断提升风险管理能力。

### Group Income Statement 集团损益表

	2010 US\$'000	2009 US\$'000	Change 差异
<b>Revenue</b> 收入	5,452,639	3,634,324	+50.0%
<b>Cost of sales</b> 销售成本	(5,422,905)	(3,603,617)	+50.5%
<b>Gross profit</b> 毛利	29,734	30,707	-3.2%
<b>Other operating income</b> 其他经营收入	638	772	-17.4%
<b>Administrative expenses</b> 管理费用	(9,456)	(7,815)	+21.0%
<b>Other operating expenses</b> 其他经营费用	(1,475)	(1,873)	-21.2%
<b>Finance costs</b> 财务费用	(1,371)	(767)	+78.7%
<b>Operating profit</b> 营业利润	18,070	21,024	-14.1%
<b>Share of results of associates</b> 联营公司并账利润	37,643	24,175	+55.7%
<b>Profit before tax</b> 税前利润	55,713	45,199	+23.3%
<b>Tax expense</b> 所得税费用	(1,004)	-	N.M.
<b>Profit for the year</b> 税后利润	<b>54,709</b>	<b>45,199</b>	<b>+21.0%</b>

Underpinned by the robust growth of the PRC civil aviation industry in 2010, the Group benefited from higher jet fuel supply and trading volumes and strong financial performance by associated companies. Consequently, the Group achieved another record high net profit for the financial year ended 31 December 2010 ("FY 2010").

The Group's total supply and trading volume for jet fuel and other products increased by 1.3 million tonnes (20.3%) to 7.7 million tonnes. Jet fuel remains the core trading product of the Group, with 7.17 million tonnes of jet fuel supplied and traded in FY 2010, an increase of 1.0 million tonnes (16.6%) over FY 2009.

On the back of higher jet fuel supply and trading volume and higher jet fuel prices, the Group recorded revenue of US\$5.5 billion in FY 2010, an increase of US\$1.8 billion (50.0%) as compared to FY 2009. Jet fuel prices increased from an average of US\$71.09 per barrel in FY 2009 to US\$90.15 per barrel in FY 2010. Revenue generated from the trading of other oil products, which included petrochemicals, fuel oil and gasoil, also contributed to the increase in total revenue.

Gross profit, which was derived from jet fuel supply and trading and trading of other oil products, decreased by 3.2% to US\$29.7 million, mainly due to less favourable conditions in the oil trading market and higher procurement and storage costs that resulted in lower gains derived from trading activities.

Other operating income of the Group, which comprise mainly bank interest income, was US\$0.64 million for FY 2010, a decrease of 17.4% from FY2009.

Administrative and other operating expenses of the Group were 12.8% higher, mainly attributable to higher expenses relating to increased business activities, which included higher staff costs, information technology expenses, professional fees and office rental costs.

The share of profits from associated companies increased 55.7% to US\$37.64 million. This was mainly attributable to profit contribution from Shanghai Pudong International Airport Aviation Fuel Supply Company ("SPIA"), which increased 71.0% to US\$35.8 million in FY 2010.

# Financial Review

## 业绩回顾

### Simplified Group Financial Position

#### 集团财务状况简表

As at 31 December 截至12月31日	2010 US\$'000	2009 US\$'000
<b>ASSETS</b> <b>资产</b>		
<b>Non-current assets</b> <b>非流动资产</b>		
Property, plant and equipment 不动产、厂房及设备	8,777	8,061
Intangible assets 无形资产	104	100
Associates 联营公司	191,175	150,934
Deferred tax assets 递延税资产	3,980	-
	<hr/> 204,036	<hr/> 159,095
<b>Current Assets</b> <b>流动资产</b>		
Inventories 库存	154,230	37,606
Trade and other receivables 应收款及其他应收款	529,584	379,833
Cash and cash equivalents 现金及现金等价物	57,988	182,192
	<hr/> 741,802	<hr/> 599,631
<b>Total assets</b> <b>总资产</b>	<hr/> <hr/> 945,838	<hr/> <hr/> 758,726
<b>EQUITY AND LIABILITIES</b> <b>股东权益</b>		
Share capital 股本	215,573	215,573
Reserves 储备	129,658	94,162
<b>Total equity</b> <b>股东权益合计</b>	<hr/> 345,231	<hr/> 309,735
<b>Non-current liabilities</b> <b>非流动负债</b>		
Deferred tax liabilities 递延税负债	4,858	-
<b>Current liabilities</b> <b>流动负债</b>		
Trade and other payables 应付款及其他应付款	565,225	448,991
Loans and borrowings 短期借款	30,524	-
	<hr/> 595,749	<hr/> 448,991
<b>Total liabilities</b> <b>负债合计</b>	<hr/> 600,607	<hr/> 448,991
<b>Total equity and liabilities</b> <b>股东权益及负债合计</b>	<hr/> <hr/> 945,838	<hr/> <hr/> 758,726

Tax expenses of US\$1.0 million was attributable to the recognition of deferred tax liabilities (approximately US\$4.9 million) on the Company's share of undistributed retained earnings from associated companies, partially offset by a recognition of deferred tax assets in relation to the Company's tax losses carried forward.

The Group's net profit increased US\$9.5 million (21.0%) to US\$54.7 million for FY 2010. Earnings per share was 7.61 US cents for FY 2010 compared to 6.25 US cents for FY 2009.

Net assets of the Group increased 11.5%, primarily due to an increase in retained earnings as a result of net profit generated for FY 2010 and partially offset by the payments of the first and final dividend for FY 2009 and the interim dividend for FY 2010.

The Group's total assets increased US\$187.1 million, mainly attributable to: (i) higher inventories due to trading activities; (ii) an increase in trade and other receivables due to higher sales revenue in December 2010 as compared to December 2009; and (iii) an increase in non-current assets due to profit contribution from associated companies.

The Group's total liabilities increased by US\$151.6 million, mainly attributable to: (i) an increase in trade and other payables due to higher procurement costs in December 2010 which resulted from higher trading volumes and oil prices as compared to December 2009; and (ii) bank borrowings relating to the utilisation of a bank trust receipt facility to fund the purchase of jet fuel inventory.

The Group generated positive cash flow of US\$17.87 million from operating activities before changes in working capital for FY 2010. Net cash used in operating activities was US\$132.29 million for FY2010 due to increased storage of jet fuel inventory by the Group and higher amount of timing difference in receipts from trade receivables and payments to trade suppliers.

Cash flows generated from investing activities amounted to US\$1.86 million for FY 2010, mainly from interest receipts and dividend receipts from an associated company, partially offset by the purchase of property, plant and equipment and intangible assets. Cash flows generated from financing activities of US\$6.18 million for FY 2010 was from bank borrowings of US\$30.52 million partially offset by the purchase of treasury shares and dividend paid.



## Financial Review

### 业绩回顾

受到中国民航业2010年快速发展的带动，本集团的航油供应与贸易量以及联营公司的业绩皆有所上升。本集团也因此在截至2010年12月31日的财年（以下简称“2010财年”）中，净利润突破历史记录。

本集团的航油和其他油品的供应与贸易总量增加130万吨（增幅为20.3%）至770万吨。航油业务仍是本集团的核心贸易品种，在2010财年航油供应与贸易量为717万吨，较2009财年增加100万吨（增幅为16.6%）。

由于航油供应与贸易量增加以及油价的上升，2010财年本集团销售收入为55亿美元，较2009财年上升18亿美元（增幅为50.0%）。航油价格由2009财年的平均每桶71.09美元增至2010财年的平均每桶90.15美元。来自其他油品（包括化工品、燃料油和柴油）贸易创造的收入也带动了销售收入的增加。

本集团的毛利总额主要来源于航油供应与贸易以及其他油品贸易。毛利下降3.2%至2970万美元，主要原因是油品贸易市场条件相较不利以及采购和储罐成本增加，使得贸易收益减少。

集团的其他经营收入（主要包括银行利息收入）在2010财年为64万美元，较2009财年减少17.4%。

本集团的管理和其他经营费用增加了12.8%，这主要由于业务活动增加而导致的费用上升，增加的费用包括员工成本、信息技术费用、专业费用和办公室租赁费等。

联营公司并账利润增加55.7%至3764万美元。这主要由于上海浦东国际机场航空油料有限责任公司在2010财年的并账利润增加71.0%至3580万美元。

100万美元所得税费用主要是由于联营公司可分配利润中向中国境外分红时代扣代缴税所确认的递延所得税负债（约490万美元），减去在公司层面上税务损失结转抵销未来可预见应纳税收入后所确认的递延所得税资产。

2010财年本集团净利润为5470万美元，增加950万美元（增幅为21.0%）。2010财年每股盈利为7.61美分，2009财年为6.25美分。

本集团净资产增加11.5%，这主要由于2010财年净利润的未分配利润增加，再减去2009财年首次与年终股息以及2010财年中股息的发放。

本集团总资产增加1.871亿美元，主要由于（1）贸易活动的库存增加；（2）2010年12月同比增加的销售收入导致贸易和其他应收账款的增加；以及（3）联营公司并账利润增加而促使非流动资产上升。

本集团的总负债增加1.516亿美元，主要由于（1）2010年12月同比升高的贸易量和油价导致采购成本上升，并使得贸易和其他应付账款增加；以及（2）用于航油储罐的银行信托类融资导致银行借贷增加。

本集团在营运资金变化前的经营活动中产生1787万美元净现金流入。2010财年经营活动中流出的净现金流量为1.3229亿美元，这是由于本集团的航油库存增多，以及贷款的收款与付款时间差变长。

2010财年投资活动的现金流入为186万美元，主要来自于利息收入及一家联营公司分配来的股息，减去购买不动产、厂房及设备和无形资产的费用。2010财年财务活动产生的净现金流入为618万美元，这来自于银行借款3052万美元，与用于购买库存股及分配股息相抵消。



**Reaching out to the communities  
in which we work and live through  
green initiatives and community  
engagement activities**



# Corporate Social Responsibility

## 企业社会责任

### Reaching out

At CAO, we are committed to building sustainable relationships in the society that we operate in, and supporting causes that are important to us, including creating opportunities for children, providing support for new immigrants, supporting development of sustainable energy sources and promoting environmentally-friendly practices.

In 2010, we worked with non-profit organisations such as Beyond Social Services, Community Foundation of Singapore and Tian Fu Club (Singapore) to embark on activities to extend our help to the communities in which we work and live. Through Healthy Start Child Development Centre (“HSCDC”), which is managed by Beyond Social Services, we reached out to children from diverse backgrounds in the Singapore neighbourhood estates of Bukit Merah and Redhill. The objective of this centre is to prepare disadvantaged children for life-long learning skills and to provide them with access to social and educational opportunities. Besides financial sponsorship, our staff volunteers brought the children of HSCDC on a fieldtrip to a living farm in Singapore where the children had fun learning about farm animals. We were also involved in the organisation of the HSCDC Awards Day,

which was held to recognise the children’s successful school endeavours.

Another initiative in 2010 was the establishment of the CAO - Tian Fu Club (Singapore) Bursary Fund. The objective of this fund is to provide financial assistance to: (i) children of new immigrant families in Singapore through the provision of education bursaries; and (ii) low-income new immigrants working in Singapore to aid their skills training to enhance employability.

CAO is also committed to making a difference to the environment in which we live. We partnered the Community Foundation of Singapore to set up the CAO Green Fund to support projects relating to environmental protection and sustainability and renewable energy. We also participated in the NEA-Mediacorp Semakau Run 2010 as a corporate sponsor.

Within the company, efforts were also made to increase employee awareness of their impact on the environment and to encourage green practices, such as motivating behavioural change through issuing re-useable lunch boxes and setting up recycling bins in the office.





# Corporate Social Responsibility

## 企业社会责任

### 履行责任，播洒爱心

CAO一直致力于构建公司与社会之间的持久关系，积极支持我们所重视的公益事业，如为儿童创造机会、为新移民提供帮助、为可持续能源的开发提供支持、倡导环保行为。

2010年，我们与彼岸社会服务、新加坡公益基金和新加坡天府会等非盈利组织展开了友好合作，携手开展各项公益活动，积极帮助与我们生活和工作有关的社区。通过彼岸社会服务下属的“健康起点儿童发展中心”（简称“HSCDC”），我们将支持与关爱传递到了武吉美拉和红山社区来自不同背景的儿童手中。该中心旨在帮助弱势儿童掌握终生学习的技能，并为他们提供社会机会和教育机会。除资金捐赠之外，我们还组织志愿员工小组带领HSCDC的儿童实地考察新加坡的生态农场，让小朋友有机会近距离接触各种农场动物，在感受乐趣的同时也增长了知识。我们还参与组织了HSCDC颁奖日活动，奖励小朋友优异的学习表现。

2010年CAO的另一项企业社会责任举措是成立“中国航油－天府会（新加坡）助学基金”。该基金的目的是：（1）为新加坡新移民家庭中的儿童提供教育基金；及（2）资助在

新加坡工作的低收入新移民进行技能培训来增强他们的就业能力。

公司还投身于各项环保活动来改善周围环境。我们与新加坡公益基金会合作建立“CAO环保基金”，来支持环保和持久发展以及可再生能源的项目。我们还作为企业赞助方参与了2010年新加坡环境局－新传媒实马高岛长跑。

公司内部也在大力提升员工的环保意识，并倡导绿色行为，比如公司派发可重复使用的午餐饭盒并在办公室设置废物回收桶等，以鼓励员工养成良好的环保行为和习惯。



# Statement of Corporate Governance

The Board of Directors (the “**Board**”) and Management of China Aviation Oil (Singapore) Corporation Ltd (the “**Company**”) are committed to achieving the highest standards of corporate governance and in keeping with the Company’s corporate philosophy of transparency and integrity. We strive to surpass the minimum requirements of openness, integrity and accountability prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the recommendations of the Code of Corporate Governance 2005 (the “**2005 Code**”).

With the view to preserving and growing shareholder value through strong and effective corporate governance, the Board has put in place a set of well-defined controls and processes.

This report primarily describes the Company’s corporate governance practices for the financial year ended 31 December 2010 with specific reference to the 2005 Code.

## (A) BOARD MATTERS

### The Board’s Conduct of its Affairs

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#### Principle 1

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

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#### Commentary

The current Board comprises eight Non-Executive Directors and the Chief Executive Officer/Executive Director. All Independent Directors as well as those nominated by the two major shareholders, namely China National Aviation Fuel Group Corporation (“**CNAF**”) and BP Investments Asia Limited (“**BP**”), were appointed on the strength of their expertise, experience and stature. The details, qualifications and major appointments of each Director are provided under the “Board of Directors” section of this Annual Report.

The Directors collectively consider and decide on issues of strategy, performance, resources and standard of conduct. They provide the Company with the core competencies, drive and direction for its businesses, so as to enhance long-term shareholder value.

The Board is in a unique position to implement new thinking, strategies and direction for the Company without being restrained by the past. As such, the Board has implemented many new internal controls and processes for the benefit of the Company.

Some of the businesses that the Board transacts include:

- a) Setting, reviewing and approving corporate strategies, annual budgets and financial plans;
- b) Reviewing the adequacy and integrity of the Company’s internal controls, risk management systems, financial reporting systems and monitoring the performance of the Group and the Management;
- c) Ensuring that the Group and Management comply with all laws, regulations, policies, directives, guidelines and internal code of conduct;
- d) Considering and approving the nominations of suitable candidates to the Board of Directors; and
- e) Ensuring accurate, adequate and timely reporting to, and communication with shareholders.

Matters that are specifically reserved for the Board’s consideration and decision include, but are not limited to, corporate planning, material acquisitions and disposals of assets, corporate or financial restructuring, declaration of dividends and interested person transactions.

# Statement of Corporate Governance

To ensure the efficient discharge of its responsibilities and to provide independent oversight of Management, various Board committees namely, the Audit Committee, the Nominating Committee, the Remuneration Committee and the Risk Management Committee have been constituted with clear written terms of reference. Each Committee has the authority to examine issues relevant to their terms of reference and to make recommendations to the Board for action. The ultimate responsibility and decision on all matters still lies with the Board.

Board meetings are held at least once a quarter, and as required by business imperatives, to review and approve the release of the quarterly and full-year results and to discuss reports by Management including significant acquisitions and divestments, approving the annual budget and reviewing performance of the Group's businesses. The Board met four times in 2010. When Directors cannot be physically present, telephonic attendance and conference via audio-visual communication at Board and Board committee meetings are allowed under the Company's Articles of Association. The number of meetings of the Board and Board Committees held in 2010, as well as the attendance of each Board member at these meetings, are disclosed below:

	Board Meetings	Board Committee Meetings			
		Audit	Nominating	Remuneration	Risk Management
Sun Li	4	N.A.	N.A.	N.A.	N.A.
Wang Kai Yuen	4	4	1	3	N.A.
Meng Fanqiu	4	N.A.	N.A.	N.A.	N.A.
Zhao Shousen	4	4	N.A.	N.A.	3
Liu Fuchun	4	4	1	3	N.A.
Timothy Bullock	4	4	N.A.	N.A.	3
Ang Swee Tian	4	4	1	3	3
Chen Liming	4	N.A.	1	3	N.A.
Luo Qun <sup>(1)</sup>	3	N.A.	1	3	N.A.
Zhang Zhenqi <sup>(2)</sup>	1	N.A.	N.A.	N.A.	N.A.
<b>Number of Meetings Held</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>3</b>

Notes:

- (1) Mr Luo Qun was appointed as Non-Executive/Non-Independent Director and Vice Chairman of the Remuneration Committee and Nominating Committee on 26 February 2010.
- (2) Mr Zhang Zhenqi resigned as Executive Director/General Manager (Trading) on 26 February 2010.

A formal letter is sent to newly appointed Directors upon their appointment explaining their duties and obligations as a Director as well as the governance policies and practices of the Group. Appropriate training is provided for all new Directors appointed to the Board as part of their orientation to ensure that they are familiar with the Company's businesses, operations, governance practices and regulatory requirements. Facility visits to our associated companies' premises are also arranged to enable newly appointed Directors to acquire an understanding of the Group's business operations.

To ensure that the Directors are competent in carrying out their roles and responsibilities, regular and on-going training is provided for the Directors. These include attendance of courses co-organised by the Singapore Exchange Limited, the Singapore Institute of Directors and/or PricewaterhouseCoopers. Courses attended by some Directors included (a) the Audit Committee Essentials Series (Module 3) - "Meeting AC responsibilities: Internal Controls and Fraud" held on 5 March 2010; and (b) Understanding the Regulatory Environment in Singapore" conducted in Mandarin and held in Beijing on 12 April 2010.

All Directors are required to officially disclose their interests in the Company including any interested person transactions with the Company. All Directors practise good governance by updating the Company about changes to their interests in a timely manner.

# Statement of Corporate Governance

## Board Composition and Balance

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### Principle 2

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

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### Commentary

Mr Sun Li, who was the Deputy Chairman and a CNAF nominee Director, assumed the role as Non-Independent, Non-Executive Chairman of the Company on 16 August 2010. Concurrently, Dr Wang Kai Yuen relinquished his role as Chairman of the Board and served as Deputy Chairman and Lead Independent Director of the Company.

The appointment of a Lead Independent Director is over and above the requirements of the 2005 Code. This affirms the Company's commitment to continue to maintain good corporate governance practices and also further reinforces and enhances the critical role of Independent Directors on the Board of the Company. The roles and responsibilities of the Lead Independent Director of the Company are set out in a Charter endorsed by the Board of Directors, which include being an alternative channel for open independent communication for shareholders and Directors who may have reservations about having those communications with the Chairman or Chief Executive Officer of the Company. The Charter of the Lead Independent Director is disclosed in the Appendix to this report.

The Nominating Committee determines on an annual basis whether or not a Director is independent, taking into consideration the 2005 Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent. Of the nine members on the Board, six are nominated by substantial shareholders and are deemed as non-independent. The three Independent Directors namely, Dr Wang Kai Yuen, Mr Liu Fuchun and Mr Ang Swee Tian, constitute at least one-third of the Board. Currently, at least two Independent Directors are resident in Singapore. These two Independent Directors are Dr Wang Kai Yuen and Mr Ang Swee Tian. None of the nine Board members is related to one another.

The composition of the Board is also reviewed annually by the Nominating Committee. The Nominating Committee is satisfied that the Board comprises Directors who as a group possess the necessary calibre, experience and core competencies for effective decision-making. Individual directors' profiles can be found in "Board of Directors" section of the Annual Report.

## Chairman and Chief Executive Officer

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### Principle 3

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

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### Commentary

The Chairman, with the assistance of the Deputy Chairman, is primarily responsible for overseeing the overall management and strategic development of the Company. With the assistance of the Company Secretary, schedules Board meetings and prepares meeting agendas as well as ensures that all procedures and good governance practices are complied with.

Mr Sun Li is familiar with the business environment and the industry issues relevant to the Company in the People's Republic of China ("PRC"), having had extensive experience in the industry in the PRC since 1975. Mr Sun Li is also familiar with the corporate governance practices and procedures of listed company boards in Singapore.

The Deputy Chairman/Lead Independent Director of the Board, Dr Wang Kai Yuen has extensive experience as Director of public-listed companies in Singapore. He has good working relationships with the various regulators in Singapore.

The Chief Executive Officer of the Company, Mr Meng Fanqiu, executes the Board's decisions and is responsible for the day-to-day running of the Company's business, making operational decisions for the Company and implementing the Company's business, direction, strategies and policies.

# Statement of Corporate Governance

The Chairman is in constant consultation with the Deputy Chairman/Lead Independent Director as well as other members of the Board and Board committees on major issues. As such, the Board believes there are adequate safeguards in place against having a concentration of power and authority in a single individual.

The Chairman and the Chief Executive Officer are not related to each other.

## Board Membership

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Principle 4

There should be a formal and transparent process for the appointment of new Directors to the Board.

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## Commentary

The Nominating Committee was established by the Board to make recommendations for all Board appointments. The Nominating Committee comprises five members, the majority of whom, including its Chairman, are Independent Non-Executive Directors:

### Nominating Committee

Liu Fuchun	Chairman
Luo Qun	Vice Chairman (appointed on 26 February 2010)*
Wang Kai Yuen	Member
Chen Liming	Member
Ang Swee Tian	Member

*\*Mr Luo Qun was appointed as Vice Chairman in place of Dr Zhao Shousen on 26 February 2010.*

Mr Liu Fuchun, the Chairman of the Nominating Committee is not associated with any substantial shareholder of the Company.

The responsibilities of the Nominating Committee include:

- a) evaluation and nomination of suitable candidates or, as the case may be, re-nominate retiring Directors to the Board;
- b) determination of each Board member's independence status on an annual basis; and
- c) evaluation of the effectiveness of the Board as a whole and independently evaluate each Board member's performance and contribution to the Board.

CNAF and BP have agreed under a Shareholders' Agreement that each shall nominate four and two Directors respectively to the Board, out of a maximum nine Directors. The remaining three shall be Independent Directors.

With the resignation of Mr Timothy Bullock on 24 February 2011 as a Director of the Company, the Nominating Committee nominated a new Director, Mr Alan Haywood to the Board. Mr Alan Haywood is a BP-nominee. The Board approved the said nomination and appointed Mr Alan Haywood as a member of the Board. With the stand down of Mr Timothy Bullock as Chairman of the Risk Management Committee and a member of the Audit Committee, Mr Alan Haywood was appointed as the Chairman of the Risk Management Committee and a member of the Audit Committee in place of Mr Timothy Bullock.

Pursuant to Article 97 of the Company's Articles of Association, Mr Alan Haywood who was appointed as a Director of the Company on 24 February 2011 shall retire at the forthcoming Annual General Meeting (the "**AGM**"). The Nominating Committee nominated and the Board approved Mr Alan Haywood to seek for re-election at the forthcoming AGM.

Pursuant to Article 91, one-third of the members of the Board of Directors shall retire. For the AGM, Dr Wang Kai Yuen, Mr Liu Fuchun and Mr Ang Swee Tian are due for retirement and re-election. The Nominating Committee has recommended and the Board agreed that all retiring Directors be nominated for re-election at the AGM.

# Statement of Corporate Governance

## Board Performance

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### Principle 5

There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

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### Commentary

The Nominating Committee evaluated the performance of each Director and the effectiveness of the Board as a whole.

The Nominating Committee completed a Board assessment and effectiveness questionnaire for 2010 and evaluated the Board's performance based on how the Board has enhanced the long-term shareholder value. The Nominating Committee is satisfied with the current composition and performance of the Board as a whole.

In its evaluation, the Nominating Committee considered the expertise and experience of each member, his attendance, participation and contributions to the Board both inside and outside of Board meetings. The Nominating Committee is satisfied with the performance of the Board and its members.

## Access to Information

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### Principle 6

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

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### Commentary

The Company has put in place enhanced communication processes between the Board and Management in terms of information flow.

Agenda for meetings and all Board papers for discussions are circulated to Directors at least 10 days in advance so that the Directors are prepared for the meetings. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Management and senior executives of the Company would be present during the Board meeting or Board Committee meeting, as the case may be, to present their proposals or to answer any questions that Board members may have.

The Board as a whole as well as individual Directors have direct access to Management represented by senior executive officers of the Company and Group. The Management provides the Directors with monthly updates on the operational and financial performance of the Group, and also responds to regular questions from the Board or individual Directors in a timely manner.

Where the Board deems it necessary, the Board can obtain independent advice from external consultants. This enhances the Board's ability to discharge its functions and duties.

All Board members have direct access to and the advice and services of the Company Secretary. The Company Secretary attends all meetings of the Board and Board Committees and assists the respective Chairman of the Board/Board Committees in ensuring that the papers of the Board/Board Committees, procedures and the applicable laws and regulations are adhered to.

Information about the Company and the Group are freely available to each Board member. Management will promptly supply any additional information that the Board requires.

The Board also has ready access to external professionals for consultations.

# Statement of Corporate Governance

## (B) REMUNERATION MATTERS

### Procedures for developing Remuneration Policies

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#### Principle 7

There should be a formal and transparent procedure for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

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### Level and Mix of Remuneration

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#### Principle 8

The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive Directors, should be linked to performance.

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### Disclosure on Remuneration

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#### Principle 9

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

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### Commentary

The Board adopted the recommendations of the 2005 Code and established a Remuneration Committee to consider and to make recommendations on remuneration matters for the Directors and senior executives of the Group. Apart from ensuring consistencies with good practices, the Remuneration Committee is also mindful of the need to ensure that the Company and the Group are able to attract and retain good Directors and senior executives to the business.

The Remuneration Committee comprises five members, the majority of whom, including its Chairman, are Independent Non-Executive Directors:

#### Remuneration Committee

Wang Kai Yuen	Chairman
Luo Qun	Vice Chairman (appointed on 26 February 2010)*
Liu Fuchun	Member
Chen Liming	Member
Ang Swee Tian	Member

\* Mr Luo Qun was appointed as Vice Chairman in place of Dr Zhao Shousen on 26 February 2010.

The Remuneration Committee assists the Board and Management by assessing and making remuneration recommendations for the Executive Directors and senior executives of the Company. The Remuneration Committee also administers the performance bonus scheme and China Aviation Oil Share Option Scheme of the Company.

Broadly, remuneration for the Executive Directors and senior executives for the financial year ended 31 December 2010 are based on the Company's and individual performances and the remuneration for Non-Executive Directors in the form of fees is based on responsibilities and memberships in the Board and its committees.

# Statement of Corporate Governance

The remuneration of Directors for the financial year ended 31 December 2010, in bands of S\$250,000 are set out below:

Remuneration Band & Name of Director	Fee	Base/fixed salary and allowance	Variable/performance	Others	Share options/ Long Term incentives	Total
<b>Above S\$750,000 to S\$1,000,000</b>	(%)	(%)	(%)	(%)	(%)	(%)
Meng Fanqiu	0	52	47	1	0	100
<b>Above S\$500,000 to S\$750,000</b>	–	–	–	–	–	–
<b>Above S\$250,000 to S\$500,000</b>	–	–	–	–	–	–
<b>Below S\$250,000</b>	(%)	(%)	(%)	(%)	(%)	(%)
Sun Li	85	0	0	15	0	100
Wang Kai Yuen	93	0	0	7	0	100
Zhao Shousen	95	0	0	5	0	100
Liu Fuchun	90	0	0	10	0	100
Timothy Bullock	94	0	0	6	0	100
Chen Liming	92	0	0	8	0	100
Ang Swee Tian	95	0	0	5	0	100
Luo Qun <sup>(1)</sup>	94	0	0	6	0	100
Zhang Zhenqi <sup>(2)</sup>	0	100	0	0	0	100

Notes:

(1) Mr Luo Qun was appointed as Director on 26 February 2010.

(2) Mr Zhang Zhenqi resigned as Executive Director/General Manager (Trading) on 26 February 2010.

The number of five key executives (who are not also Directors) for the financial year ended 31 December 2010 in remuneration bands is set out below:

Remuneration Bands	Number of Executives
Above S\$500,000 to S\$600,000	1
Above S\$250,000 to S\$500,000	3
Below S\$250,000	1

For confidentiality reasons, the Company is not disclosing each individual executive's remuneration and their names.

There are no employees in the Group who are immediate family members of the Chairman or any of the Directors during the financial year ended 31 December 2010. "immediate family member" means the spouse, child, adopted child, step child, brother, sister and parent.



# Statement of Corporate Governance

The remuneration of the Group's top five key executives takes into consideration the pay and employment conditions within the same industry and is performance related. The remuneration package of Directors and senior executive officers include the following:

- Basic/fixed salary** - The basic salary (inclusive of statutory employer contributions to Central Provident Fund) for each Executive Director or key management personnel is recommended by the Remuneration Committee, taking into account the performance of the individual for the financial year 2010, the inflation price index and information from independent sources on the pay scale for similar jobs in a selected group of comparable organisations.
- Fees** - The structure for the payment of Directors' fees for Non-Executive Directors is based on a framework comprising basic fee and additional fees for serving on the Board Committees and also undertaking additional services for the Group. Fees paid or payable to Non-Executive Directors take into account factors such as effort and time spent, and responsibilities of these Directors. The two Executive Directors of the Company namely, the Chief Executive Officer/Executive Director and the Executive Director/General Manager (Trading) (up to 26 February 2010) do not receive Directors' fees for their Board directorships with the Company.
- Variable/Performance** - The Group operates a bonus scheme for all employees including the Executive Directors. The criteria for the bonus scheme are the level of profit achieved from certain aspects of the Group's business activities against targets, together with an assessment of the Company's and individual's performance during the year. The remuneration disclosed above for the Executive Directors and the five key executives included the 2010 variable bonuses payable in relation to profit targets achieved for the Company's oil trading activities. Total remuneration approved by the Remuneration Committee for the Executive Directors and five key executives in respect of 2009 variable bonuses in relation to profit targets achieved for the Company's oil trading activities during the financial year 2009 was S\$1,384,573.
- Others** - Benefits in kind such as private medical cover and car are made available where appropriate and consistent with common industry practices.
- Allowances include travel allowance.
- Share Options** - The Non-Executive Directors of the Company are eligible to participate in the China Aviation Oil Share Option Scheme which was established since 9 November 2001. As of to date, the Company has not granted any share options to any eligible participants of the China Aviation Oil Share Option Scheme. Details on the China Aviation Oil Share Option Scheme are disclosed in the Appendix to this report.

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

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#### Principle 10

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

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### Commentary

The Board, through the Audit Committee and the Group's external auditors KPMG LLP ("**KPMG**") and internal auditors, Grant Thornton Specialist Services Pte Ltd ("**Grant Thornton**"), scrutinises Management's conduct of the Company's and Group's business processes and financials. Each area of the Company and Group is audited on an ongoing basis to ensure that the Company and Group maintain good corporate practices and governance and financial integrity.

The Board, with the assistance of the Audit Committee, reviews all financial statements of the Company and Group. The Board is accountable to shareholders and always aims to present a balanced and understandable assessment of the Company's and Group's financial position and prospects to shareholders on a timely basis. The quarterly, half-year and full-year results are announced or issued within the mandatory period.

# Statement of Corporate Governance

Management provides the Board members with management accounts on a monthly basis. Such reports keep the Board informed, on a balanced and understandable basis, of the Group's performance, financial position and prospects and consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit by business segments compared against the budgets, together with explanation given for significant variances for the month and year-to-date.

## Audit Committee

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Principle 11

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

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## Commentary

The Audit Committee comprises five members, all of whom are Non-Executive Directors and the majority, including its Chairperson, are Independent Directors:

## Audit Committee

Ang Swee Tian	Chairman
Zhao Shousen	Vice-Chairman
Wang Kai Yuen	Member
Liu Fuchun	Member
Alan Haywood <sup>(1)</sup>	Member

Note:

(1) Mr Alan Haywood was appointed as a member of the Audit Committee on 24 February 2011 in place of Mr Timothy Bullock

The Audit Committee held four meetings in 2010 where it met with external and internal auditors to review both the Company and Group's financials and audit reports. A key issue for discussion is the financial statements and announcements made by the Company to shareholders. The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the Audit Committee's responsibilities.

The Audit Committee met with both the external and internal auditors at least once without the presence of the Management.

The Audit Committee reviews the quarterly and annual financial statements and the integrity of financial reporting of the Company, including the accounting principles, for recommendation to the Board for approval. The Audit Committee also reviews and approves the internal auditors' and external auditor's plans to ensure that the plans adequately cover, in particular, significant internal controls of the Company relating to financial, operational and compliance-related matters. Significant issues are discussed at Audit Committee meetings.

The Audit Committee has full authority to investigate into any matter within its terms of reference, including any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations.

The Audit Committee has full access to and co-operation of the Management. The Audit Committee also has full discretion to invite any Director or executive officer from the Company or the Group to attend its meetings. The Audit Committee has full access to both external and internal auditors. Where required, the Audit Committee is empowered to obtain external legal advice or such other independent professional advice as the Committee deems necessary.

The Audit Committee monitors all interested person transactions, including transactions under the general mandate on Interested Person Transactions approved by shareholders at the Extraordinary General Meeting held in December 2010, and conflict of interest situations including transactions, procedures or actions taken which may raise issues about the Management's integrity.

The Audit Committee also evaluates the scope and results of internal audit reports as well as Management's responses to the findings of the internal audit reports. For further discussions about internal audit, please see section (D) INTERNAL CONTROLS.

# Statement of Corporate Governance

The Audit Committee nominated KPMG for re-appointment as auditors of the Company at the AGM. The Audit Committee has also conducted an annual review of non-audit services and is satisfied that the nature and extent of such services provided by KPMG will not prejudice their independence and objectivity before confirming their re-nomination.

The Company has put in place a suitable whistle blowing policy and procedure, by which staff of the Company may, in confidence, raise concerns about possible improprieties regarding financial reporting or other matters.

Further, CAO has also put in place a Fraud Control Plan and an Enterprise Risk Management Framework and Process. The Fraud Control Plan comprises periodic fraud risk assessments on the Company. The Enterprise Risk Management Framework and Process ensures that the Company has a structured approach and framework to regularly assess its enterprise-wide risks. An Enterprise Risk Assessment has been conducted to identify and deliver an inventory of key risks for the Company and to develop a list of key risk indicators that can help the Company monitor its key risks.

## (D) INTERNAL CONTROLS

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### Principle 12

The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the Company's assets.

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### Commentary

The Board recognises the importance of sound internal control and risk management practices. In this regard, the Board affirms that it is responsible for the Group's systems of internal control and risk management system and has in accordance with the CGAC's recommendation, established the Risk Management Committee.

The Risk Management Committee comprises three members, all of whom are Non-Executive Directors:

### Risk Management Committee

Alan Haywood <sup>(1)</sup>	Chairman
Zhao Shousen	Member
Ang Swee Tian	Member

Note:

(1) Mr Alan Haywood was appointed as Chairman of the Risk Management Committee on 24 February 2011 in place of Mr Timothy Bullock.

The Risk Management Committee is responsible for assessing and making recommendations to the Board concerning how to manage the Company's and the Group's business risks. The Head of the Risk Management Department reports directly to the Risk Management Committee. The Risk Management Committee has reviewed the Risk Management Manual by which the Company identifies and manages business risks.

With the assistance of the Audit Committee and the Risk Management Committee, the Board reviews the adequacy and integrity of those control systems from time to time.

In addition to the Risk Management Manual, the Board has also developed the Financial Management Manual. These two manuals are strict guidelines which the Management and all staff of the Company and the Group must comply with.

Corporate Policy on Anti-Money Laundering Measures, including the appointment of an Anti-Money Laundering Compliance Officer, together with other trading related policies such as Out-of-Office Dealing policy, Telephone Taping/Instant Messaging/Mobile Phone policy and Deal Entry policy have been adopted by the Risk Management Committee.

The internal audit function, as discussed under Principle 13, assists the Audit Committee and the Board in evaluating internal controls, financial and accounting matters, compliance and business and financial risk management. The Audit Committee's responsibilities in the Group's internal controls are complemented by the work of the in-house Legal Counsels.

# Statement of Corporate Governance

Based on the controls and systems that have been put in place, the Board is satisfied that there are adequate internal controls in the Company and the Group.

## Internal Audit

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### Principle 13

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

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### Commentary

Both the Board and the Audit Committee agree that it is important to have a strong professional internal audit function to enhance their ability to manage risk and safeguard shareholders' interest. It has been determined that the best approach is to engage independent professional auditors to discharge this function instead of creating an internal audit department staffed by employees of the Company.

The Audit Committee thus appointed Grant Thornton as the Company's independent internal auditor. The internal auditors review the Company's processes and procedures on a continual basis to ensure compliance with the best corporate governance practices. It also reviews interested person transactions. The Audit Committee is satisfied that Grant Thornton has the adequate resources to perform its functions and has appropriate standing within the Company.

Grant Thornton has set out a three-year rolling plan to do a comprehensive internal audit of the Company's policies and procedures. Grant Thornton had presented their internal audit plan 2010 to the Audit Committee. The Audit Committee adopted the proposed audit plan.

## (E) COMMUNICATION WITH SHAREHOLDERS

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### Principle 14

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

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### Commentary

The Board is careful to observe regulations of the SGX-ST governing the requirements to make appropriate announcements on a timely basis. Transparency and integrity of information is also important to the Board. All material announcements are vetted by the Chief Executive Officer, in consultation with the Chairman and/or the Deputy Chairman, as may be required, before release by the Company via SGXnet.

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### Principle 15

Companies should encourage greater shareholder participation at Annual General Meetings and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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### Commentary

The Company's Articles of Association allows a shareholder to appoint up to two proxies to attend and vote in his/her place at general meetings. While the Company does not have a specific limit in the Articles of Association on the number of proxy votes for nominee companies, there is a limit for the number of proxies. This is to prevent the creation of separate classes of rights in shareholders. Moreover, on a show of hands, only one vote is counted, under the current law.

At each AGM, shareholders are encouraged to participate in the question and answer session. The Board of Directors, senior management, the external auditors and the Company Secretary are present to respond to shareholders' questions.

Where there are items of special business to be transacted at the AGM, comprehensive explanatory notes will be sent together with the notice of the AGM.

# Statement of Corporate Governance

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon their requests.

## DEALINGS IN THE COMPANY'S SECURITIES

In line with the recommended best practices on dealings in securities set out under Rule 1207(18) of the SGX-ST Listing Manual, the Company has issued a directive to all employees and directors not to deal in the Company's securities on short-term considerations and to abstain from dealing with the Company's securities for a period commencing two weeks before the announcement of the results of the first three quarters and one month before the announcement of the full year results and ending on the date of the announcement of the relevant results.

## INTERESTED PERSON TRANSACTIONS

Shareholders have adopted a revised general mandate for interested person transactions of the Group on 3 December 2010 ("IPT Mandate"). The IPT Mandate sets out the levels and procedures to obtain approval for such transactions. Information regarding the IPT Mandate is available on the Company's website at [www.caosco.com](http://www.caosco.com). All business units are required to be familiar with the IPT Mandate and report any such transactions to the Finance Department. The Finance Department keeps a register of the Group's interested person transactions. Information on interested person transactions for 2010 is found under "Supplementary Information" on page 99.

## REVIEW OF SYSTEM OF INTERNAL CONTROLS

As part of the Company's ongoing process of ensuring effectiveness of its system of internal controls, the Board decided that the established system of internal controls of the Company be subject to review biennially by an independent external reviewer with appropriate experience in corporate governance and risk management processes.

During the last quarter of 2010, the Company engaged BDO Consultants Pte Ltd ("**BDO Consultants**") to undertake a review of its established system of internal controls.

BDO Consultant's review was mainly based on the Committee of Sponsoring Organisations (COSO) framework of internal controls which focussed on five (5) main components namely, Control Environment, Risk Assessment, Control Activities, Information & Communications and Monitoring. BDO Consultants had reviewed whether the above-mentioned five (5) components were well established in the Company; and whether they interact effectively to create a strong system of internal controls.

Other than some administrative inconsistencies and shortcomings highlighted in BDO Consultants' report dated 11 February 2011, no other exceptions were noted to indicate that the system of internal controls was not satisfactory or not operating as intended.

# Statement of Corporate Governance

## Appendix

### (1) Details of China Aviation Oil Share Option Scheme CAO

China Aviation Oil Share Option Scheme (the “**Share Option Scheme**”) was approved by shareholders at an extraordinary general meeting of the Company held on 9 November 2001 which allows share options to be granted to full-time confirmed employees and Directors (including Non-Executive Directors) of the Group. Full-time confirmed employees and directors (excluding non-executive Directors) of the parent company and its subsidiaries (the “**Parent Group Executives/Directors**”) are also eligible to participate in the Share Option Scheme if, in the opinion of the Remuneration Committee, such persons have contributed or will contribute to the success of the Company. Persons who are controlling shareholders of the Group or their associates are not eligible to participate in the Share Option Scheme.

The aggregate number of ordinary shares in the capital of the Company (the “**Shares**”) over which the Remuneration Committee may grant options on any date, when added to the number of Shares issued and issuable in respect of all options granted under the Share Option Scheme, shall not exceed 15% of the total number of issued Shares excluding treasury shares from time to time.

Any grant of the share options to a Parent Group Executive/Director which, together with share options already granted to that Parent Group Executive/Director in any capacity under the Share Option Scheme which represents five (5) percent or more of the total number of Shares available to the Parent Group Executives/Directors under the Share Option Scheme, shall be approved by independent shareholders of the Company in a separate resolution for each such Parent Group Executive/Director. The aggregate number of Shares which may be offered by way of grant of share options to Parent Group Executives/Directors in any capacity under the Share Option Scheme shall not exceed twenty (20) percent of the total number of Shares available under the Scheme and this shall be approved by independent shareholders of the Company in separate resolution.

The exercise price for each Share in respect of which a share option is exercisable shall be determined by the Remuneration Committee at its absolute discretion, and fixed by the Remuneration Committee at: (i) a price (the “**Market Price**”) equal to the average of the last dealt prices for a Share for the five (5) consecutive trading days immediately preceding the offer date of that share option; or (ii) a discount price to the Market Price which shall not exceed 20% of the Market Price.

Options granted at the exercise price at no discount to the Market Price shall only be exercisable at any time (in whole or in part) by a participant after the first anniversary of the offer date of that share option, provided always that share options shall be exercised before the tenth anniversary of the relevant offer date, in the case of share options granted to full-time confirmed employees of the Group (including executive directors and Parent Company Executives/Directors) (collectively referred to as the “**Executive Options**”); and before the fifth anniversary of the relevant offer date, in the case of non-Executive Options, or such earlier date as may be determined by the Remuneration Committee.

Options granted with the exercise price set at a discount to the Market Price shall only be exercisable at any time (in whole or in part) by a participant after the second anniversary of the offer date of that option, provided always that options shall be exercised before the tenth anniversary of the relevant offer date in the case of Executive Options or the fifth anniversary of the relevant offer date in the case of non-Executive Options, or such earlier date as may be determined by the Remuneration Committee.

The Share Option Scheme shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years, commencing on the date on which the Share Option Scheme is adopted by shareholders at the extraordinary general meeting of the Company. Subject to compliance with any applicable laws and regulations in Singapore, the Share Option Scheme may be continued beyond the above stipulated period with the approval of the shareholders of the Company by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

# Statement of Corporate Governance

## (2) Charter of Lead Independent Director

China Aviation Oil (Singapore) Corporation Ltd (the “**Company**”) shall have a Lead Independent Director who shall be an independent director as defined under the Code of Corporate Governance 2005 (the “**2005 Code**”).

### **Purpose**

In circumstances where the Chairman of the Board of Directors is not independent, the Board of Directors of the Company considers it to be useful and appropriate to designate a Lead Independent Director to coordinate the activities of the independent directors of the Company and performing such other duties and responsibilities as the Board may determine from time to time.

### **Duties and Responsibilities**

In addition to the duties of Board members as set forth in the 2005 Code, the specific duties and responsibilities of the Lead Independent Director shall be as follows:

#### **Function as Principal Liaison with the Chairman and Senior Management**

- Act as the principal liaison between the Independent Directors of the Company and the Chairman of the Board, and between the Independent Directors of the Company and senior management.

#### **Call Meetings of Independent Directors**

- Has the authority to convene meetings, as appropriate, among the Independent Directors of the Company and to ensure that Independent Directors have adequate opportunities to meet and discuss issues in sessions of the Independent Directors without the presence or participation of management.

#### **Preside at Meetings**

- Preside at any meetings held among the Independent Directors of the Company.

#### **Approve Appropriate Provision of Information to the Board and the Board Committees**

- Review the quality, quantity and timeliness of the information submitted to the Board and Board Committees.
- Advise and assist the Chairman on the meeting agenda items.
- Advise the Chairman and facilitate Board’s approval of the number and frequency of meetings of the Board and Board Committees (including any special meetings of the Board) as well as meeting schedules to ensure that there is sufficient time for discussion of all agenda items.

#### **Initiate Actions to Address any Concerns on Corporate Compliance Matters**

- Has authority to initiate actions, for and on behalf of the Independent Directors of the Company, to address any concerns on corporate compliance matters including the engaging of external advisers and consultants, even at the displeasure of the Management or majority shareholders of the Company.

#### **Function as Principal Liaison in Shareholder Communication**

- Respond directly to the shareholders of the Company, questions and comments that are directed to the Lead Independent Director or to the Independent Directors of the Company as a group, with such consultation with the Chairman of the Board and the other Non-Independent Directors, as the Lead Independent Director may deem appropriate.



## FINANCIAL STATEMENTS

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# Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2010.

## Directors

The directors in office at the date of this report are as follows:

Sun Li	Chairman
Wang Kai Yuen	Deputy Chairman/Lead Independent Director
Meng Fanqiu	Chief Executive Officer/Executive Director
Ang Swee Tian	
Timothy Bullock	(Resigned on 24 February 2011)
Chen Liming	
Alan Haywood	(Appointed on 24 February 2011)
Liu Fuchun	
Luo Qun	
Zhao Shousen	

## Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), none of the directors who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations either at the beginning, date of appointment if later, or at the end of the financial year except as follows:

	Holdings registered in the name of Director or nominee		Holdings in which Director is deemed to have an interest	
	At 1 January 2010/date of appointment, if later	At 31 December 2010	At 1 January 2010/date of appointment, if later	At 31 December 2010
<b>The Company</b>				
<b>(Ordinary Shares)</b>				
Wang Kai Yuen	–	–	–	100,000 <sup>(1)</sup>

<sup>(1)</sup> Held by Wang Kai Yuen's spouse.

The Directors' interest in the ordinary shares of the Company as at 21 January 2011 were the same as those as at 31 December 2010.

# Directors' Report

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 26 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Share options

During the financial year, there were:

- (i) no options granted by the Company or its subsidiary to any person to take up unissued shares in the Company or its subsidiary; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiary.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiary under option.

## Share Repurchases

During the first quarter of the financial year, the Company purchased 3,747,000 of its own shares by way of market acquisition pursuant to the authority given to the directors under the Share Purchase Mandate approved by the shareholder at the Extraordinary General Meeting of the Company held on 18 September 2009. The Share Purchase Mandate was renewed at the Extraordinary General Meeting of the Company held on 23 April 2010.

## Audit Committee

The members of the Audit Committee during the year and at the date of this report are:

- Ang Swee Tian (Chairman), non-executive, independent director
- Zhao Shousen (Vice-Chairman), non-executive, non-independent director
- Wang Kai Yuen, non-executive, independent director
- Liu Fuchun, non-executive, independent director
- Timothy Bullock, non-executive, non-independent director  
(Resigned on 24 February 2011)
- Alan Haywood, non-executive, non-independent director  
(Appointed on 24 February 2011)

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

# Directors' Report

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

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**Wang Kai Yuen**  
Deputy Chairman

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**Meng Fanqiu**  
Chief Executive Officer/Executive Director

15 March 2011

# Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 60 to 98 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

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**Wang Kai Yuen**  
Deputy Chairman

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**Meng Fanqiu**  
Chief Executive Officer/Executive Director

15 March 2011

# Independent Auditors' Report

Members of the Company  
China Aviation Oil (Singapore) Corporation Ltd

## Report on the financial statements

We have audited the accompanying financial statements of China Aviation Oil (Singapore) Corporation Ltd (the Company) and its subsidiary (the Group), which comprise the statement of financial position of the Group and the Company as at 31 December 2010, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 60 to 98.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date.

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### **KPMG LLP**

*Public Accountants and  
Certified Public Accountants*

### **Singapore**

15 March 2011

# Statement of Financial Position

As at 31 December 2010

	Note	Group		Company	
		2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
<b>Non-current assets</b>					
Property, plant and equipment	4	8,777	8,061	8,777	8,061
Intangible assets	5	104	100	104	100
Subsidiary	6	–	–	–	–
Associates	7	191,175	150,934	81,236	81,236
Deferred tax assets	8	3,980	–	3,980	–
		<u>204,036</u>	<u>159,095</u>	<u>94,097</u>	<u>89,397</u>
<b>Current assets</b>					
Inventories	9	154,230	37,606	154,230	37,606
Trade and other receivables	10	529,584	379,833	529,584	379,833
Cash and cash equivalents	11	57,988	182,192	57,980	182,178
		<u>741,802</u>	<u>599,631</u>	<u>741,794</u>	<u>599,617</u>
<b>Total assets</b>		<u>945,838</u>	<u>758,726</u>	<u>835,891</u>	<u>689,014</u>
<b>Equity attributable to owners of the parent</b>					
Share capital	12	215,573	215,573	215,573	215,573
Reserves	13	129,658	94,162	24,574	24,454
<b>Total equity</b>		<u>345,231</u>	<u>309,735</u>	<u>240,147</u>	<u>240,027</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	8	4,858	–	–	–
<b>Current liabilities</b>					
Trade and other payables	14	565,225	448,991	565,220	448,987
Loans and borrowings	15	30,524	–	30,524	–
		<u>595,749</u>	<u>448,991</u>	<u>595,744</u>	<u>448,987</u>
<b>Total liabilities</b>		<u>600,607</u>	<u>448,991</u>	<u>595,744</u>	<u>448,987</u>
<b>Total equity and liabilities</b>		<u>945,838</u>	<u>758,726</u>	<u>835,891</u>	<u>689,014</u>

The accompanying notes form an integral part of these financial statements.

# Consolidated Income Statement

Year ended 31 December 2010

	Note	2010 US\$'000	2009 US\$'000
Revenue	17	5,452,639	3,634,324
Cost of sales		(5,422,905)	(3,603,617)
<b>Gross profit</b>		29,734	30,707
Other income	18	638	772
Administrative expenses		(9,456)	(7,815)
Other operating expenses		(1,475)	(1,873)
<b>Results from operating activities</b>		19,441	21,791
Finance costs	19	(1,371)	(767)
Share of profits of associates (net of income tax)		37,643	24,175
<b>Profit before income tax</b>		55,713	45,199
Income tax expense	20	(1,004)	–
<b>Profit for the year</b>	18	54,709	45,199
<b>Attributable to:</b>			
Owners of the parent		54,709	45,199
<b>Earnings per share:</b>			
Basic and diluted earnings per share (cents)	21	7.61	6.25

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	2010 US\$'000	2009 US\$'000
Profit for the year	54,709	45,199
<b>Other comprehensive income</b>		
Translation differences relating to financial statements of foreign associates	5,128	(569)
<b>Other comprehensive income for the year, net of income tax</b>	<u>5,128</u>	<u>(569)</u>
<b>Total comprehensive income for the year</b>	<u>59,837</u>	<u>44,630</u>
<b>Attributable to:</b>		
Owners of the parent	<u>59,837</u>	<u>44,630</u>

The accompanying notes form an integral part of these financial statements.



# Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Note	Share capital US\$'000	Foreign currency translation reserve US\$'000	Statutory reserve US\$'000	Reserve for own shares US\$'000	Accumulated profits US\$'000	Total equity US\$'000
At 1 January 2009		215,573	12,744	7,033	–	40,350	275,700
<b>Total comprehensive income for the year</b>							
Profit for the year		–	–	–	–	45,199	45,199
<b>Other comprehensive income</b>							
Translation differences relating to financial statements of foreign associates		–	(569)	–	–	–	(569)
Total other comprehensive income		–	(569)	–	–	–	(569)
Total comprehensive income for the year		–	(569)	–	–	45,199	44,630
<b>Contributions by and distributions to owners</b>							
Transfer of accumulated profits to statutory reserve		–	–	344	–	(344)	–
Own shares acquired		–	–	–	(721)	–	(721)
Dividends to equity holders	13	–	–	–	–	(9,874)	(9,874)
Total transactions with owners		–	–	344	(721)	(10,218)	(10,595)
At 31 December 2009		215,573	12,175	7,377	(721)	75,331	309,735

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Note	Share capital US\$'000	Foreign currency translation reserve US\$'000	Statutory reserve US\$'000	Reserve for own shares US\$'000	Accumulated profits US\$'000	Total equity US\$'000
At 1 January 2010		215,573	12,175	7,377	(721)	75,331	309,735
<b>Total comprehensive income for the year</b>							
Profit for the year		–	–	–	–	54,709	54,709
<b>Other comprehensive income</b>							
Translation differences relating to financial statements of foreign associates		–	5,128	–	–	–	5,128
Total other comprehensive income		–	5,128	–	–	–	5,128
Total comprehensive income for the year		–	5,128	–	–	54,709	59,837
<b>Contributions by and distributions to owners</b>							
Transfer of accumulated profits to statutory reserve		–	–	449	–	(449)	–
Own shares acquired		–	–	–	(3,185)	–	(3,185)
Dividends to equity holders	13	–	–	–	–	(21,156)	(21,156)
Total transactions with owners		–	–	449	(3,185)	(21,605)	(24,341)
At 31 December 2010		215,573	17,303	7,826	(3,906)	108,435	345,231

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 December 2010

	2010 US\$'000	2009 US\$'000
<b>Cash flows from operating activities</b>		
Profit for the year	54,709	45,199
Adjustments for:		
Depreciation of property, plant and equipment	359	343
Amortisation of intangible assets	89	114
Gain on sale of property, plant and equipment	(33)	–
Property, plant and equipment written off	24	–
Share of profits of associates (net of tax)	(37,643)	(24,175)
Income tax expense	1,004	–
Interest income	(605)	(772)
Unrealised exchange differences	(38)	3
	<hr/> 17,866	<hr/> 20,712
Change in inventories	(116,624)	(37,606)
Change in trade and other receivables	(149,503)	(159,564)
Change in trade and other payables	116,083	229,592
Cash (used in)/from operating activities	<hr/> (132,178)	<hr/> 53,134
Income tax paid	(111)	–
<b>Net cash (used in)/from operating activities</b>	<hr/> (132,289)	<hr/> 53,134
<b>Cash flows from investing activities</b>		
Proceed from disposal of property, plant and equipment	85	–
Interest received	637	937
Acquisition of property, plant and equipment	(1,000)	(108)
Acquisition of intangible assets	(93)	(40)
Acquisition of associate	–	(45,325)
Dividends from associate	2,235	31,090
<b>Net cash from/(used in) investing activities</b>	<hr/> 1,864	<hr/> (13,446)
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	30,524	–
Repurchase of own shares	(3,185)	(721)
Dividends paid	(21,156)	(9,874)
<b>Net cash from/(used in) financing activities</b>	<hr/> 6,183	<hr/> (10,595)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(124,242)	29,093
Cash and cash equivalents at 1 January	182,192	153,102
Effect of exchange rate fluctuations on cash held	38	(3)
<b>Cash and cash equivalents at 31 December</b>	<hr/> <hr/> 57,988	<hr/> <hr/> 182,192

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

Year ended 31 December 2010

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 15 March 2011.

## 1 Domicile and activities

China Aviation Oil (Singapore) Corporation Ltd (the Company) is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 8 Temasek Boulevard, #31-02 Suntec Tower Three, Singapore 038988.

The financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company, its subsidiary and the Group's interests in associates (together referred to as the "Group" and individually as "Group entities").

The principal activities of the Company are those relating to trading in aviation oil and petroleum products, and investment holding.

The principal activity of the subsidiary is set out in note 6 below.

The immediate and ultimate holding company during the financial year was China National Aviation Fuel Group Corporation (CNAF), a company incorporated in the People's Republic of China (PRC).

## 2 Basis of preparation

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

### 2.3 Functional and presentation currency

The financial statements are presented in United States (US) dollars which is the Company's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand, unless otherwise stated.

### 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and in arriving at estimates with a significant risk of resulting in a material adjustment in the following year are discussed in note 27.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2 Basis of preparation (cont'd)

### 2.5 Adoption of new and revised financial reporting standards

The Group has adopted the new and revised FRSs and Interpretations, which became effective for the current financial year. With the adoption of the new and revised FRSs and Interpretations, the Group has made additional disclosures in the presentation of operating segments.

As of 1 January 2010, the Group presents total assets attributable to its operating segments. Information on total assets are regularly reported to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker. As such, in accordance with FRS 108 *Operating Segment*, total assets attributable to the Group's operating segments are presented accordingly. Comparative segment information has been re-presented in conformity with the revised standard. There is no impact on earnings per share.

The adoption of other new and revised FRSs and interpretations to FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial year.

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities.

### 3.1 Basis of consolidation

#### ***Business combinations***

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 Significant accounting policies (cont'd)

### 3.1 Basis of consolidation (cont'd)

#### ***Investment in associates***

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investment in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

#### ***Jointly controlled operations***

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income it earns from the joint operation.

#### ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### ***Accounting for subsidiary and associates***

Investments in subsidiary and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

### 3.2 Foreign currencies

#### ***Foreign currency transactions***

Transactions in foreign currencies are translated to US dollars or the Chinese renminbi, which are the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 Significant accounting policies (cont'd)

### 3.2 Foreign currencies (cont'd)

#### *Foreign operations*

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to US dollars at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to US dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

### 3.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold properties	50 years
Motor vehicles	10 years
Furniture and fittings	5 years
Office equipment	5 years
Renovations	5 years
Computers	3 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and adjusted as appropriate.

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 Significant accounting policies (cont'd)

### 3.4 Intangible assets

#### **Goodwill**

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. In respect of goodwill arising on the acquisition of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

#### **Other intangible assets**

Other intangible assets that are acquired by the Group, and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets are amortised in profit or loss on a straight-line basis over the estimated useful lives of 3 years, from the date on which they are available for use.

### 3.5 Financial instruments

#### **Non-derivative financial instruments**

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Company has the following non-derivative financial assets: loans and receivables, and cash and cash equivalents.

#### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank deposits.



# Notes to the Financial Statements

Year ended 31 December 2010

## 3 Significant accounting policies (cont'd)

### 3.5 Financial instruments (cont'd)

#### **Non-derivative financial liabilities**

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Derivative financial instruments**

The Group holds oil commodity derivatives that are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. These derivative financial instruments are not designated in a hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

### 3.6 Impairment

#### **Financial assets (including receivables)**

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 Significant accounting policies (cont'd)

### 3.6 Impairment (cont'd)

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amounts of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would be determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

### 3.7 Inventories

Inventories held for trading purposes are stated at fair value less costs to sell and any changes in fair value less costs to sell are recognised in profit or loss in the period of change.

Inventories held by associates, for sale to customers, are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average basis and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 Significant accounting policies (cont'd)

### 3.8 Employee benefits

#### **Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### **Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### 3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### 3.10 Revenue recognition

#### **Sale of goods**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

#### **Trading of paper swaps**

Gains or losses on oil commodity derivatives which are classified as held for trading purposes are recognised in profit or loss on a net basis.

#### **Interest income**

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

#### **Dividend income**

Dividend income is recognised on the date that the Group's right to receive payment is established.

### 3.11 Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### 3.12 Finance costs

Finance costs comprise bank charges.

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 Significant accounting policies (cont'd)

### 3.13 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.14 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

### 3.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Segment total assets are the total assets utilised by the respective operating segment in its operations.

### 3.16 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

# Notes to the Financial Statements

Year ended 31 December 2010

## 4 Property, plant and equipment

Group and Company	Leasehold properties US\$'000	Motor vehicles US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Renovations US\$'000	Computers US\$'000	Total US\$'000
<b>Cost</b>							
At 1 January 2009	9,205	216	69	177	647	242	10,556
Additions	–	–	–	–	–	108	108
At 31 December 2009	9,205	216	69	177	647	350	10,664
Additions	–	232	13	77	759	70	1,151
Disposals	–	(216)	(61)	(25)	(549)	(43)	(894)
At 31 December 2010	9,205	232	21	229	857	377	10,921
<b>Accumulated depreciation</b>							
At 1 January 2009	1,300	141	65	126	489	139	2,260
Depreciation for the year	184	21	1	14	49	74	343
At 31 December 2009	1,484	162	66	140	538	213	2,603
Depreciation for the year	184	23	1	12	49	90	359
Disposals	–	(162)	(60)	(25)	(528)	(43)	(818)
At 31 December 2010	1,668	23	7	127	59	260	2,144
<b>Carrying amounts</b>							
At 1 January 2009	7,905	75	4	51	158	103	8,296
At 31 December 2009	7,721	54	3	37	109	137	8,061
At 31 December 2010	7,537	209	14	102	798	117	8,777

# Notes to the Financial Statements

Year ended 31 December 2010

## 4 Property, plant and equipment (cont'd)

The following are properties held by the Group and Company:

Location	Description/ Uses of property	Land area/ Built-up area (square meters)	Leasehold term
8 Temasek Boulevard #31-01 Suntec Tower Three Singapore 038988	Office	324	99 years from 1 March 1989
8 Temasek Boulevard #31-02 Suntec Tower Three Singapore 038988	Office	440	99 years from 1 March 1989

## 5 Intangible assets

### Group and Company

US\$'000

#### Cost

At 1 January 2009	323
Additions	40
At 31 December 2009	363
Additions	93
At 31 December 2010	456

#### Accumulated amortisation

At 1 January 2009	149
Amortisation for the year	114
At 31 December 2009	263
Amortisation for the year	89
At 31 December 2010	352

#### Carrying amounts

At 1 January 2009	174
At 31 December 2009	100
At 31 December 2010	104

The intangible assets of the Group and the Company comprise purchased software systems.

# Notes to the Financial Statements

Year ended 31 December 2010

## 6 Subsidiary

	Company	
	2010 US\$'000	2009 US\$'000
Unquoted equity investment, at cost	-	-

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Ownership	
		2010 %	2009 %
# CAOT Pte Ltd (CAOT)	Singapore	100	100
# Audited by KPMG LLP, Singapore.			

The above subsidiary is not considered a significant subsidiary of the Group. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profit accounts for 20% or more of the Group's consolidated pre-tax profit.

## 7 Associates

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Investments in associates	191,175	150,934	82,625	82,625
Impairment losses	-	-	(1,389)	(1,389)
	191,175	150,934	81,236	81,236

In 2010, dividends declared by associates amounted to US\$2,531,695 of which US\$2,235,295 was received during the financial year. In 2009, the Group did not receive dividends from its associates.

# Notes to the Financial Statements

Year ended 31 December 2010

## 7 Associates (cont'd)

Details of the associates are as follows:

	Name of associate	Country of incorporation	Ownership	
			2010 %	2009 %
#	Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd (SPIA)	People's Republic of China	33	33
@	China Aviation Oil Xinyuan Petrochemicals Co. Ltd (Xinyuan)	People's Republic of China	39	39
@	China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd (TSN-PEKCL)	People's Republic of China	49	49

# Audited by Shanghai Wan Long Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants, for statutory audit purposes. Audited by a member firm of KPMG International for consolidation purpose.

@ Not considered a significant associate of the Group. For this purpose, an associate is considered significant as defined under the Singapore Exchange Limited Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profit accounts for 20% or more of the Group's consolidated pre-tax profit.

Summary financial information of associates not adjusted for the percentage ownership held by the Group is as follows:

	2010 US\$'000	2009 US\$'000
<b>Assets and liabilities</b>		
Non-current assets	95,269	99,982
Current assets	629,825	682,665
Total assets	<u>725,094</u>	<u>782,647</u>
Current and total liabilities	<u>(326,036)</u>	<u>(507,686)</u>
<b>Results</b>		
Revenue	2,333,165	1,589,887
Expenses	(2,216,985)	(1,519,678)
Profit after taxation	<u>116,180</u>	<u>70,209</u>
Group's share of associates' contingent liabilities (refer to Note 24)	17,556	16,863
Group's share of associates' capital commitments	-	171



# Notes to the Financial Statements

Year ended 31 December 2010

## 8 Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
<b>Deferred tax asset</b>				
Tax losses carry-forward	3,980	–	3,980	–
<b>Deferred tax liabilities</b>				
Investments in associates	(4,858)	–	–	–

Movements in temporary differences during the year are as follows:

	At 1 January 2010 US\$'000	Recognised in profit or loss US\$'000	Exchange differences US\$'000	At 31 December 2010 US\$'000
<b>Group</b>				
Investments in associates	–	4,858	–	4,858
Tax losses carry-forward	–	(3,980)	–	(3,980)
	–	878	–	878
<b>Company</b>				
Tax losses carry-forward	–	(3,980)	–	(3,980)

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Other temporary differences	6,615	4,237	6,615	4,237
Tax losses carry-forward	240,678	359,915	240,678	359,915
	247,293	364,152	247,293	364,152

The tax losses carry-forward relate to losses arising from prior years during which the Company was granted concessionary rate of tax under the Global Trader Programme (GTP). In accordance with Section 37B of the Income Tax Act, the utilisation of these tax losses is adjusted after considering the tax rate applicable for the Company's chargeable income prior to set-off.

# Notes to the Financial Statements

Year ended 31 December 2010

## 8 Deferred tax assets and liabilities (cont'd)

Tax losses and other temporary differences do not expire under current tax legislations. Deferred tax assets have not been recognised in respect of these items due to the uncertainty of the availability of future taxable profit against which the Group can utilise the benefits therefrom.

## 9 Inventories

	<b>Group and Company</b>	
	<b>2010</b>	<b>2009</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Trading inventories at fair value less costs to sell	154,230	37,606

In the current year, trading inventories recognised in cost of sales amounted to US\$5,498,065,000 (2009: US\$3,609,427,000) for the Group and the Company.

## 10 Trade and other receivables

	<b>Group and Company</b>	
	<b>2010</b>	<b>2009</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Trade receivables	160,285	138,638
Other receivables	1,085	2,196
Deposits	9,035	11,365
Amounts due from:		
- immediate and ultimate holding company (non-trade)	193	1,131
- associate (non-trade)	282	-
- related corporations (trade)	273,104	180,963
- related corporation of a corporate shareholder (trade)	85,427	45,271
	359,006	227,365
Loans and receivables	529,411	379,564
Prepayments	173	269
	529,584	379,833

Transactions with related parties are unsecured and priced on terms agreed between the parties. There is no allowance for impairment loss arising from the outstanding balances.

The non-trade amounts due from the immediate and ultimate holding company, and an associate are unsecured and interest-free, and are repayable on demand.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trade receivables are due mainly from customers in the jet fuel industry, which are pre-dominantly located in the People's Republic of China.

The Group and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 16.

# Notes to the Financial Statements

Year ended 31 December 2010

## 11 Cash and cash equivalents

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Cash at bank and in hand	5,875	34,572	5,867	34,558
Deposits with financial institutions	52,113	147,620	52,113	147,620
Cash and cash equivalents in the statement of cash flows	57,988	182,192	57,980	182,178

The weighted average effective interest rates per annum relating to deposits with financial institutions at the balance sheet date are as disclosed below (Interest rates repriced at intervals of one, three or six months):

	2010		2009	
	Interest rate %	Carrying amount US\$'000	Interest rate %	Carrying amount US\$'000
<b>Group and Company</b>				
US\$ deposits	0.25	49,962	0.20	147,620
RMB deposits	1.60	2,151	–	–
		52,113		147,620

The Group and the Company's exposure to foreign currency risk and interest rate risk are disclosed in note 16.

## 12 Share capital

	Company	
	2010 Number of shares ( '000)	2009 Number of shares ( '000)
<b>Fully paid ordinary shares, with no par value:</b>		
At 1 January and 31 December	722,821	722,821

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

# Notes to the Financial Statements

Year ended 31 December 2010

## 12 Share capital (cont'd)

### Capital management

The Company defines capital as share capital and reserves. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board also monitors the level of dividends declared to ordinary shareholders.

From time to time, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Group's share option programme. The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for the shares is determined by the Directors or a committee of Directors constituted for the purposes of effecting purchases or acquisitions of shares by the Company under the Share Purchase Mandate.

There were no changes in the Group's approach to capital management during the year. The Company and its subsidiary are not subject to externally imposed capital requirements.

## 13 Reserves

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Foreign currency translation reserve	17,303	12,175	–	–
Statutory reserve	7,826	7,377	–	–
Reserve for own shares	(3,906)	(721)	(3,906)	(721)
Accumulated profits	108,435	75,331	28,480	25,175
	<u>129,658</u>	<u>94,162</u>	<u>24,574</u>	<u>24,454</u>

- (a) The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.
- (b) The associates of the Group established in the People's Republic of China ("PRC") follow the accounting principles and relevant financial regulations of the PRC applicable to enterprises established in the PRC (PRC GAAP) in the preparation of the accounting records and its financial statements. Pursuant to accounting regulations for foreign-invested PRC enterprises and the PRC Company Law, the associates are required to appropriate 10% of the profit arrived at in accordance with PRC GAAP for each year to a statutory reserve. The profit arrived at must be used to set off against any accumulated losses. The appropriation to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends. During the current financial year, SPIA did not appropriate any profit to the statutory reserve as the statutory reserve of SPIA has reached 50% of its registered capital.
- (c) the reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2010, the Group held 4,668,000 of the Company's shares (2009: 921,000).

# Notes to the Financial Statements

Year ended 31 December 2010

## 13 Reserves (cont'd)

(d) The following (one-tier tax exempt) dividends were declared and paid by the Group and Company:

	Group and Company	
	2010 US\$'000	2009 US\$'000
Final exempt dividends paid in respect of the previous financial year of S\$0.02 (2009: S\$0.02) per share	10,184	9,874
Interim exempt dividends paid in respect of the current financial year of S\$0.02 (2009: S\$Nil) per share	10,972	–
	<u>21,156</u>	<u>9,874</u>

(e) The Directors have proposed a final (one-tier tax exempt) ordinary dividend of S\$0.02 (2009: S\$0.02) per share, amounting to US\$11,174,000 (2009: US\$10,184,000). The dividends have not been provided for.

## 14 Trade and other payables

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Trade payables	466,668	435,673	466,668	435,673
Accrued operating expenses	14,592	12,574	14,587	12,570
Other payables	1,785	168	1,785	168
Amount due to related corporation of a corporate shareholder (trade)	79,296	–	79,296	–
Derivatives financial liabilities – oil commodity derivatives	2,884	576	2,884	576
	<u>565,225</u>	<u>448,991</u>	<u>565,220</u>	<u>448,987</u>

The Group and the Company's exposures to foreign currency risk are described in note 16.

## 15 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 16.

	Group and Company	
	2010 US\$'000	2009 US\$'000
<b>Current liabilities</b>		
Trust receipts – unsecured	<u>30,524</u>	<u>–</u>

# Notes to the Financial Statements

Year ended 31 December 2010

## 15 Loans and borrowings (cont'd)

### Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
<b>2010</b>					
Trust receipts	USD	1.45	2011	30,524	30,524

## 16 Financial instruments

### Credit risk

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	Carrying amount		Carrying amount	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Loans and receivables	529,411	379,564	529,411	379,564
Cash and cash equivalents	57,988	182,192	57,980	182,178
	587,399	561,756	587,391	561,742

The Group's maximum exposure to credit risk for loans and receivables are predominantly located in the People's Republic of China.

#### Impairment losses

The ageing of trade receivables (including trade amounts due from related corporations and related corporation of a corporate shareholder) at the reporting date is:

	Gross	Impairment losses	Gross	Impairment losses
	2010 US\$'000	2010 US\$'000	2009 US\$'000	2009 US\$'000
<b>Group and Company</b>				
Not past due	518,816	–	364,872	–

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due. These receivables are arising mainly from customers and related parties that have a good repayment record.

# Notes to the Financial Statements

Year ended 31 December 2010

## 16 Financial instruments (cont'd)

### Liquidity risk

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount US\$'000	Cash flows			
		Contractual cash flows US\$'000	Within 1 year US\$'000	Within 2 to 5 years US\$'000	More than 5 years US\$'000
<b>Group</b>					
<b>2010</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	562,341	(562,341)	(562,341)	–	–
Loans and borrowings	30,524	(42,819)	(42,819)	–	–
<b>Derivative financial instruments</b>					
Oil commodity derivatives	2,884*	(2,884)	(2,884)	–	–
	595,749	(608,044)	(608,044)	–	–
<b>2009</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	448,415	(448,415)	(448,415)	–	–
<b>Derivative financial instruments</b>					
Oil commodity derivatives	576*	(576)	(576)	–	–
	448,991	(448,991)	(448,991)	–	–
<b>Company</b>					
<b>2010</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	562,336	(562,336)	(562,336)	–	–
Loans and borrowings	30,524	(42,819)	(42,819)	–	–
<b>Derivative financial instruments</b>					
Oil commodity derivatives	2,884*	(2,884)	(2,884)	–	–
	595,744	(608,039)	(608,039)	–	–
<b>2009</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	448,411	(448,411)	(448,411)	–	–
<b>Derivative financial instruments</b>					
Oil commodity derivatives	576*	(576)	(576)	–	–
	448,987	(448,987)	(448,987)	–	–

\* The carrying amount and the contractual cash flows relate to the negative fair value of the derivative financial instrument.

# Notes to the Financial Statements

Year ended 31 December 2010

## 16 Financial instruments (cont'd)

### Currency risk

#### Exposure to currency risk

The Group's and Company's exposures to foreign currency risk were as follows based on notional amounts:

	31 December 2010		31 December 2009	
	Singapore dollar US\$'000	Renminbi US\$'000	Singapore dollar US\$'000	Renminbi US\$'000
<b>Group</b>				
Trade and other receivables	518	507	456	1,131
Cash and cash equivalents	333	2,153	2,216	–
Trade and other payables	(6,552)	(144)	(5,864)	(162)
Loans and borrowings	–	–	–	–
	<u>(5,701)</u>	<u>2,516</u>	<u>(3,192)</u>	<u>969</u>
<b>Company</b>				
Trade and other receivables	518	507	456	1,131
Cash and cash equivalents	325	2,153	2,202	–
Trade and other payables	(6,547)	(144)	(5,860)	(162)
Loans and borrowings	–	–	–	–
	<u>(5,704)</u>	<u>2,516</u>	<u>(3,202)</u>	<u>969</u>

#### Sensitivity analysis

A 10% strengthening of the US dollar against the following currencies at 31 December would increase/(decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Equity US\$'000	Profit or loss US\$'000	Equity US\$'000	Profit or loss US\$'000
<b>31 December 2010</b>				
Singapore dollar	–	570	–	570
Renminbi	–	(252)	–	(252)
<b>31 December 2009</b>				
Singapore dollar	–	319	–	320
Renminbi	–	(97)	–	(97)

A 10% weakening of the US dollar against the above currencies at 31 December would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.



# Notes to the Financial Statements

Year ended 31 December 2010

## 16 Financial instruments (cont'd)

### **Interest rate risk**

#### *Profile*

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	Carrying amount	
	2010 US\$'000	2009 US\$'000
<b>Group and Company</b>		
<b>Fixed rate instruments</b>		
Financial assets	57,988	182,192
Financial liabilities	(30,524)	–
	<u>27,464</u>	<u>182,192</u>

#### *Fair value sensitivity analysis*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

### **Fair values**

#### *Fair values versus carrying amounts*

The carrying amounts of the Company's financial instruments carried at cost or amortised cost approximate their fair values as at 31 December 2010 and 31 December 2009 because of the short period to maturity.

### **Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Financial Statements

Year ended 31 December 2010

## 16 Financial instruments (cont'd)

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Group and Company</b>				
<b>31 December 2010</b>				
Derivative financial liabilities	–	(2,884)	–	(2,884)
<b>31 December 2009</b>				
Derivative financial liabilities	–	(576)	–	(576)

## 17 Revenue

	Group	
	2010 US\$'000	2009 US\$'000
Revenue from middle distillates	5,211,001	3,496,805
Revenue from other oil products	241,638	137,519
	<u>5,452,639</u>	<u>3,634,324</u>

Included in revenue are net gains of US\$18,650,000 (2009: US\$2,999,000) recognised in relation to derivative financial instruments.

## 18 Profit for the year

The following items have been included in arriving at profit for the year:

	Group	
	2010 US\$'000	2009 US\$'000
<b>Other income</b>		
Gain on sale of property, plant and equipment	33	–
Interest income	605	772
	<u>638</u>	<u>772</u>
Foreign exchange loss	(453)	(1,429)
Non-audit fees paid to auditors of the Company	(16)	(36)
Property, plant and equipment written off	(24)	–
Staff costs (including traders' commission)	(9,681)	(8,698)
Contributions to defined contribution plans, included in staff costs	(211)	(252)

# Notes to the Financial Statements

Year ended 31 December 2010

## 19 Finance costs

	Group	
	2010 US\$'000	2009 US\$'000
Bank charges	1,371	767

## 20 Income tax expense

	Group	
	2010 US\$'000	2009 US\$'000
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	4,858	–
Recognition of previously unrecognised tax losses	(3,980)	–
	878	–
<b>Withholding tax expense</b>	126	–
Total tax expense	1,004	–

### Reconciliation of effective tax rate

	Group	
	2010 US\$'000	2009 US\$'000
Profit before income tax	55,713	45,199
Income tax using Singapore tax rate of 17% (2009: 17%)	9,471	7,684
Tax effects of revenue at concessionary tax rate	(1,547)	(1,407)
Effects of results of associates presented net of tax	(6,399)	(4,110)
Other income not subject to tax	(6)	(18)
Expenses not deductible for tax purposes	87	171
Utilisation of previously unrecognised tax losses	(1,606)	(2,320)
Recognition of previously unrecognised tax losses	(3,980)	–
Temporary differences arising from investments in associates	4,858	–
Withholding tax expense	126	–
	1,004	–

# Notes to the Financial Statements

Year ended 31 December 2010

## 20 Income tax expense (cont'd)

The Company was granted concessionary rate of tax under the Global Trader Programme (GTP) for a period of 5 years from 1 January 2008 to 31 December 2012. Under the GTP, income derived from qualifying trading transactions of approved products by the Company is taxed at the concessionary rate of 10% instead of the normal statutory rate of 17%. This incentive is granted subject to the achievement of certain business volume and other terms and conditions.

On 29 October 2010, the Company received a renewal of their GTP status for a period of 5 years from 1 August 2010 to 31 July 2015. The concessionary tax rate was revised from 10% to 5% for the period renewed.

## 21 Earnings per share

The calculation of basic and diluted earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of US\$54,709,000 (2009: US\$45,199,000), and a weighted average number of ordinary shares outstanding of 718,585,000 (2009: 722,743,000), calculated as follows:

### *Profit attributable to ordinary shareholders*

	2010 US\$'000	2009 US\$'000
Basic and diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders	54,709	45,199

### *Weighted average number of ordinary shares*

	2010 Number of shares ( '000)	2009 Number of shares ( '000)
Issued ordinary shares at 1 January	722,821	722,821
Effect of own shares held	(4,236)	(78)
Weighted average number of ordinary shares at 31 December	718,585	722,743

As there were no dilutive potential ordinary shares during the year, basic and diluted earnings per share are the same.

# Notes to the Financial Statements

Year ended 31 December 2010

## 22 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Middle distillates*: Jet fuel and gas oil supply and trading
- *Other oil products*: Fuel oil and petrochemicals products supply and trading
- *Others*: Investments in oil-related assets

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	Middle distillates US\$'000	Other oil products US\$'000	Others US\$'000	Total US\$'000
<b>2010</b>				
Revenue	5,211,001	241,638	–	5,452,639
Gross profit	30,355	(621)	–	29,734
Other operating expenses	(6,742)	(684)	(2,604)	(10,030)
Depreciation and amortisation	(448)	–	–	(448)
Foreign exchange loss	(453)	–	–	(453)
Interest income	605	–	–	605
Other operating income	33	–	–	33
Finance costs	(1,264)	(107)	–	(1,371)
Share of profits of associates (net of income tax)	–	–	37,643	37,643
Income tax expense	3,980	–	(4,984)	(1,004)
Reportable segment profits/(losses) after income tax	26,066	(1,412)	30,055	54,709
Reportable segment total assets	754,663	–	191,175	945,838
<b>2009</b>				
Revenue	3,496,805	137,519	–	3,634,324
Gross profit	31,530	(823)	–	30,707
Other operating expenses	(5,369)	(610)	(1,823)	(7,802)
Depreciation and amortisation	(457)	–	–	(457)
Foreign exchange loss	(1,429)	–	–	(1,429)
Interest income	772	–	–	772
Finance costs	(701)	(66)	–	(767)
Share of profits of associates (net of income tax)	–	–	24,175	24,175
Reportable segment profits/(losses) after income tax	24,346	(1,499)	22,352	45,199
Reportable segment total assets	607,792	–	150,934	758,726

# Notes to the Financial Statements

Year ended 31 December 2010

## 22 Operating segments (cont'd)

### *Geographical segments*

The People's Republic of China is a major market for trading in aviation oil and petroleum products. The Group also operates in other regions including Singapore.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

<b>Geographical information</b>	<b>Revenue US\$'000</b>	<b>Non-current assets US\$'000</b>
<b>2010</b>		
People's Republic of China	4,222,145	–
Hong Kong	421,703	–
Singapore	420,431	8,881
United States of America	194,547	–
Korea	74,265	–
Other regions	119,548	–
	<u>5,452,639</u>	<u>8,881</u>
<b>2009</b>		
People's Republic of China	2,915,658	–
Singapore	317,772	8,161
Korea	179,697	–
Other regions	221,197	–
	<u>3,634,324</u>	<u>8,161</u>

### *Major customers*

Revenue from an associate and a related corporation of the Company totalled approximately US\$3,025,071,000 (2009: US\$2,261,112,000), representing 55% (2009: 62%) of the Group's total revenue.

## 23 Financial risk management

### *Overview*

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk
- foreign currency risk
- market risk
- commodity price risk

# Notes to the Financial Statements

Year ended 31 December 2010

## 23 Financial risk management (cont'd)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Additional quantitative disclosures are included throughout these financial statements.

### **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment which all employees understand their roles and obligations.

The Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from its customers and financial assets. The Group has procedures in place to manage credit risk and exposure to such risk is monitored on an ongoing basis.

#### *Trade and other receivables*

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance is a specific loss component that relates to individually significant exposures. The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

At the balance sheet date, there was no significant concentration of credit risk except for amounts receivable due from 2 (2009: 1) major customers amounting to US\$128,725,000 (2009: US\$128,868,000) which accounted for 80% (2009: 93%) of the Group's total trade receivables, and receivables due from related corporations amounting to US\$273,104,000 (2009: US\$180,963,000). The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

In respect of the Group's associates, there was an amount due from a major customer amounting to US\$99,105,000 (2009: US\$108,485,000) to an associate, which accounted for 38% (2009: 44%) of the associate's total trade receivables. Except for this receivable, there was no significant concentration of credit risk.

# Notes to the Financial Statements

Year ended 31 December 2010

## 23 Financial risk management (cont'd)

### *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group manages its liquidity risk by maintaining adequate lines of credit.

### *Interest rate risk*

It is the Group and the Company's policy to obtain the most favourable interest rates available without increasing its foreign currency exposure. Surplus funds are placed with reputable banks to earn interest income.

As the Group's and the Company's interest bearing financial assets and liabilities are short term in nature, any future variations in interest rates will not have a material impact on the results of the Group and the Company.

### *Foreign currency risk*

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the US dollar and the Chinese renminbi, which are the principal functional currencies of Group entities. The currency giving rise to this foreign currency risk is primarily the Singapore dollar. Currently, the Group does not hedge this foreign currency exposure.

The Group monitors its foreign currency exposures on an on-going basis and ensures that the net exposure is kept to an acceptable level. The Group is also exposed to currency translation risk on its net investments in foreign operations. Such exposures are reviewed and monitored on a regular basis.

### *Market risk*

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group buys and sells derivatives in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

### *Commodity price risk*

The Group's policy is to manage its costs of purchase and sales of jet fuel using commodity paper swaps. The Group enters into commodity paper swaps, in which it agrees to exchange the difference between the fixed and floating oil prices, calculated by reference to an agreed-upon principal quantity, with its counterparties. The commodity paper swaps commit the Group to buy or sell commodities at a pre-determined price with settlement dates that range from one month to three months.



# Notes to the Financial Statements

Year ended 31 December 2010

## 23 Financial risk management (cont'd)

### *Sensitivity analysis*

A change of 10% in oil forward price at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss	
	10% increase US\$'000	10% decrease US\$'000
<b>2010</b>		
Oil physical and paper forward contracts	(19,314)	19,314
<b>2009</b>		
Oil physical and paper forward contracts	(10,015)	10,015

The Group considers holding oil inventory as part of their overall trading strategy. The Group views that the change in fair value of the oil inventory offsets the changes in fair value of oil physical and paper forward contracts. An increase of 10% in the fair value of oil inventory would have increased profit or loss by US\$15,423,000 (2009: US\$3,761,000).

The above sensitivity analysis is hypothetical and should not be predictive of the Group's future performance as the physical inventory volume and derivative positions change daily and are not static.

### **Estimation of fair values**

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Company.

#### *Derivative financial instruments*

The fair value of commodity paper swaps is determined based on price indices.

#### *Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

## 24 Contingent liabilities

### **Claim of customs duties and value added tax**

The turnover of SPIA comprises domestic sales and international sales. Domestic sales refer to aviation fuel supplied to airlines for consumption in domestic air lanes which are subject to a value added tax rate (VAT) of 17%. International sales refer to aviation fuel supplied to airlines for consumption in international air lanes which are exempt from VAT. SPIA obtained exemption of VAT from the relevant authorities for international sales generated from 1 July 2001 onwards. International sales recognised prior to 1 July 2001 were subject to VAT at 17%. In addition, SPIA is exempt from the payment of customs duties in respect of aviation fuel imported for international sales.

# Notes to the Financial Statements

Year ended 31 December 2010

## 24 Contingent liabilities (cont'd)

On 29 July 2003, SPIA received a letter of demand from an existing customer which claimed that they should be the beneficiary of the exemption from VAT and customs duty in respect of the international sales from 1999 onwards as they had paid the customs duty and VAT to SPIA during that period. Accordingly, the customer requested the refund of the overcharged customs duties and VAT for the first half of 2003 amounting to RMB42 million (US\$5.3 million). On 28 September 2004, SPIA received a legal letter from the customer which claimed that they should be paid for overcharged customs duties and VAT for the period from October 1999 to June 2004 amounting to RMB570 million (US\$71.8 million). In the previous and current financial years, SPIA did not receive any claim for overcharged custom duties and VAT from this customer.

SPIA's management is of the opinion that the claim made by the customer is invalid. No other claims from other customers has been received by the associate.

Although an agreement to settle this claim has not been reached as at the end of the current financial year, the accumulated claim indicated by the customer has been substantially reduced. Management of SPIA and the immediate holding company of the Company, CNAF, will continue to negotiate with this customer to reach an amicable settlement of this claim.

## 25 Operating leases

### *Leases as lessee*

Non-cancellable operating lease rentals are payable as follows:

	2010 US\$'000	2009 US\$'000
Within one year	5,677	515
Between one and five years	364	556
	<u>6,041</u>	<u>1,071</u>

## 26 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### *Key management personnel compensation*

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and monitoring the activities of the Group. The directors of the Company and the executive officers of the Group are considered as key management personnel of the Group.

# Notes to the Financial Statements

Year ended 31 December 2010

## 26 Related parties (cont'd)

Key management personnel compensation comprises:

	Group	
	2010 US\$'000	2009 US\$'000
Directors' fees	427	330
Directors' remuneration	801	818
Key executive officers' remuneration	1,207	1,337
	2,435	2,485

The remuneration disclosed for 2009 excludes the 2009 variable bonuses payable to the Executive Directors and the 5 key executives in relation to profit targets achieved for the Company's oil trading activities.

The 2009 variable bonuses of US\$1,385,000 were approved by the Remuneration Committee on 1 April 2010 and paid on 30 April 2010.

### **Other related party transactions**

Other than as disclosed elsewhere in the financial statements, there were the following transactions carried out on terms agreed with related parties:

	Group	
	2010 US\$'000	2009 US\$'000
<b>Related corporation of a corporate shareholder</b>		
Sale of jet fuel	729,781	133,567
Sale of gas oil	14,136	18,827
Sale of petrochemical products	–	10,636
Purchase of jet fuel	1,181,724	732,891
Purchase of gas oil	8,614	17,765
<b>Related corporations</b>		
Sale of jet fuel	1,812,168	1,351,619
Sale of fuel oil	32,359	38,127
<b>Associate</b>		
Sale of jet fuel	1,680,265	1,285,768

# Notes to the Financial Statements

Year ended 31 December 2010

## 27 Accounting estimates and judgement in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following critical accounting policies involved the most significant judgements and estimates used in the preparation of the financial statements.

### ***Key source of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

### ***Impairment loss on trade receivables***

The Group evaluates whether there is any objective evidence that trade receivables are impaired and determine the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

### ***Income taxes***

Significant judgement is required in determining the capital allowances, taxability of certain income and deductibility of certain expenses during the estimation of the provision for income taxes and deferred tax liabilities.

The Company exercise significant judgement to determine the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

### ***Fair value of derivative financial instruments***

The Company holds derivative financial instruments to hedge the changes in jet fuel prices. The Company has not applied hedge accounting to derivative financial instruments that economically hedge the exposure of the changes in jet fuel prices. All outstanding derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement as revenue.

The fair value of the derivative financial instruments is based on the price index, Platts. The use of a different price index may impact the Company's estimate of the fair value of its derivative financial instruments.

# Supplementary Information

## Interested Person Transactions

	Aggregate value of interested person transactions excluding transactions conducted under shareholders mandate pursuant to Rule 920 of the SGX Listing Manual		Aggregate value of interested person transactions conducted under shareholders mandate pursuant to Rule 920 of the SGX Listing Manual	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
Sales revenue from related corporations	–	–	1,844,527	1,389,746
Sales revenue from related corporation of a corporate shareholder	–	–	743,916	163,030
Purchases from related corporation of a corporate shareholder	–	–	1,190,338	750,656
Trading of derivative financial instruments with related corporation of a corporate shareholder	–	–	622	–
Supply chain services rendered from related corporation	–	–	2,364	779
Supply chain services rendered from related corporation of a corporate shareholder	–	–	578	1,397
Transportation revenue earned by associate from related corporations	–	–	7,853	5,707
Other revenue earned by associate from related corporations	–	–	–	1,517

# Statistics of Shareholdings

as at 8 March 2011

<b>Number of Issued Shares</b>	:	722,820,537
<b>Number of Issued Shares (excluding Treasury Shares)</b>	:	717,059,537 ordinary shares
<b>Number/Percentage of Treasury Shares</b>	:	5,761,000 (0.8%)
<b>Class of Shares</b>	:	Ordinary Shares
<b>Voting Rights (excluding Treasury Shares)</b>	:	1 vote per share

Based on information available to the Company as at 8 March 2011, 28.55% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF		NO. OF SHARES	
	SHAREHOLDERS	%		%
1 - 999	2,769	16.74	1,349,738	0.19
1,000 - 10,000	10,734	64.89	47,234,047	6.59
10,001 - 1,000,000	3,023	18.27	108,601,004	15.14
1,000,001 AND ABOVE	16	0.10	559,874,748	78.08
<b>TOTAL</b>	<b>16,542</b>	<b>100.00</b>	<b>717,059,537</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS VICKERS SECURITIES (S) PTE LTD	369,379,417	51.51
2	BP INVESTMENTS ASIA LIMITED	144,564,119	20.16
3	CITIBANK NOMINEES SINGAPORE PTE LTD	7,222,806	1.01
4	OCBC SECURITIES PRIVATE LTD	6,425,037	0.90
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	5,974,614	0.83
6	DBS NOMINEES PTE LTD	5,961,092	0.83
7	HSBC (SINGAPORE) NOMINEES PTE LTD	4,110,891	0.57
8	UOB KAY HIAN PTE LTD	3,465,860	0.48
9	PHILLIP SECURITIES PTE LTD	2,768,647	0.39
10	LEE FOOK CHOY	2,500,000	0.35
11	OCBC NOMINEES SINGAPORE PTE LTD	1,830,490	0.26
12	CIMB SECURITIES (SINGAPORE) PTE LTD	1,353,850	0.19
13	RAFFLES NOMINEES (PTE) LTD	1,120,500	0.16
14	DBSN SERVICES PTE LTD	1,079,214	0.15
15	KIM ENG SECURITIES PTE. LTD.	1,061,943	0.15
16	CITIBANK CONSUMER NOMINEES PTE LTD	1,056,268	0.15
17	LER HOCK SENG	1,000,000	0.14
18	KANG HIAN SOON	975,000	0.14
19	LAM YEW CHONG	938,000	0.13
20	BANK OF CHINA NOMINEES PTE LTD	891,116	0.12
	<b>TOTAL</b>	<b>563,678,864</b>	<b>78.62</b>

# Statistics of Shareholdings

as at 8 March 2011

## SUBSTANTIAL ORDINARY SHAREHOLDERS

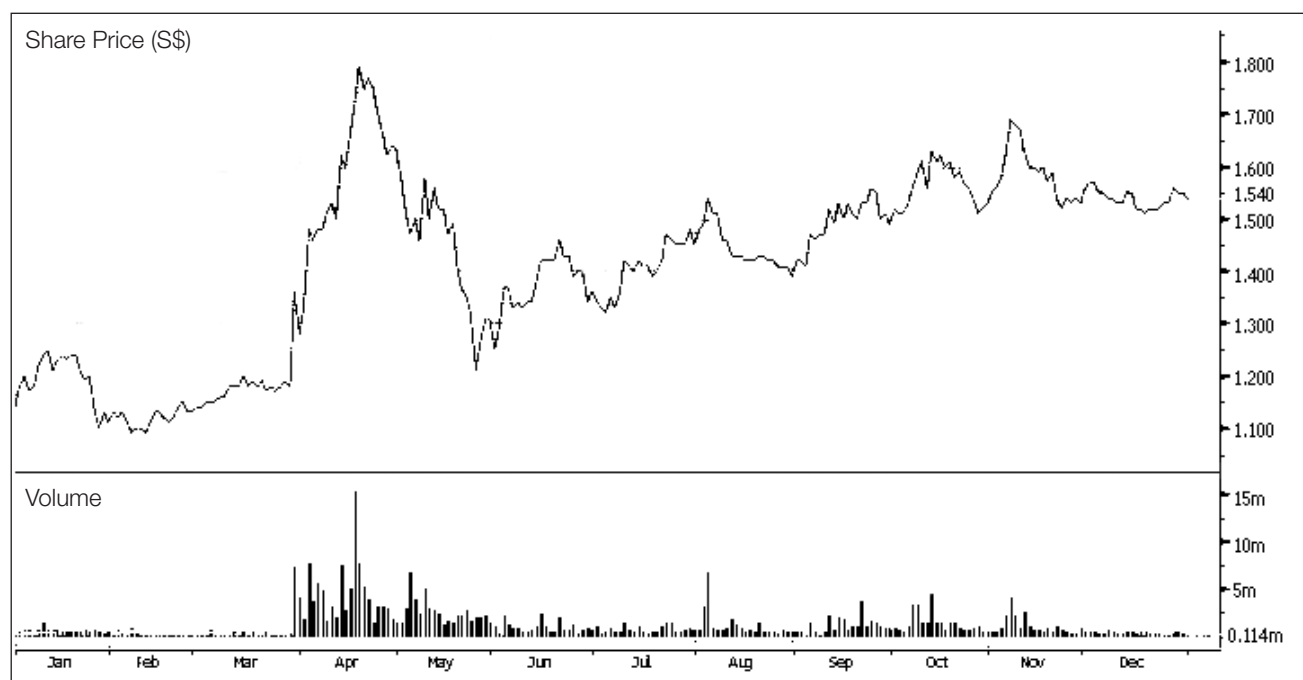
(As shown in the Register of Substantial Shareholders as at 8 March 2011)

No.	Name	No. of Shares		%
		Direct Interest	Deemed Interest	
1	China National Aviation Fuel Group Corporation	–	367,777,427*	51.29
2	BP Investments Asia Limited	144,564,119	–	20.16

\* China National Aviation Fuel Group Corporation is deemed to have an interest in 367,777,427 shares of CAO held by DBS Vickers Securities (S) Pte Ltd.

# Share Price Information / Corporate Calendar

## 2010 CAO Share Price Movement and Trading Volume



Share Price (S\$)	2006*	2007	2008	2009	2010
As at last trading day of the year	1.00	2.08	0.77	1.14	<b>1.54</b>
High	1.85	3.28	2.15	1.32	<b>1.79</b>
Low	0.92	0.98	0.48	0.57	<b>1.09</b>
Weighted Average	1.32	2.27	1.41	1.07	<b>1.51</b>

\*Since resumption of trading of CAO shares on 29 March 2006

Source: Bloomberg/Thomson Reuters

## Corporate Calendar

2011	
Announcement of 2010 full-year results	24 February
Despatch of Summary Reports to shareholders	On or about 24 March
17 <sup>th</sup> Annual General Meeting/Extraordinary General Meeting	28 April
<b>Proposed Final Dividend for FY2010</b>	
Books closure date	10 May
Payment date	20 May
Announcement of 1Q 2011 results	May
Announcement of 2Q 2011 results	August
Announcement of 3Q 2011 results	November
2012	
Announcement of 2011 full-year results	February



# Notice of Annual General Meeting

## CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

Incorporated in the Republic of Singapore  
Company Registration No. 199303293Z

NOTICE IS HEREBY GIVEN that the 17<sup>th</sup> Annual General Meeting of the Company will be held at Raffles Town Club, Dunearn 2 & 3, Level 1, 1 Plymouth Avenue, Singapore 297753 on Thursday, 28 April 2011 at 3:00 p.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors' report and the audited financial statements for the financial year ended 31 December 2010 together with the auditors' report thereon. **(Resolution 1)**
2. To declare a final (one-tier, tax exempt) dividend of S\$0.02 per ordinary share for the year ended 31 December 2010; **(Resolution 2)**
3. To approve Directors' Fees of S\$561,964 for the year ended 31 December 2010. (2009: S\$455,167) **(Resolution 3)**
4. To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:-  
  
Dr Wang Kai Yuen **(Resolution 4)**  
Mr Liu Fuchun **(Resolution 5)**  
Mr Ang Swee Tian **(Resolution 6)**
5. To re-elect the following Director, who will retire in accordance with Article 97 of the Company's Articles of Association and who, being eligible, will offer himself for re-election:-  
  
Mr Alan Haywood **(Resolution 7)**
6. To re-appoint Messrs KPMG LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

7. That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") authority be and is hereby given to the Directors of the Company to:
  - (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance to any Instrument made or granted by the Directors while this Resolution was in force,

# Notice of Annual General Meeting

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding at the time of the passing of this Resolution; and
  - b) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

**(Resolution 9)**

8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Doreen Nah  
Company Secretary

Singapore  
24 March 2011

# Notice of Annual General Meeting

## Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 8 Temasek Boulevard, #31-02 Suntec Tower Three, Singapore 038988 not later than 3.00 p.m. on 26 April 2011.

## Explanatory Notes:

**Resolution 4** Dr Wang Kai Yuen will upon re-appointment, continue as Deputy Chairman and Lead Independent Director as well as Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit Committee. He is considered a Non-Executive, Independent Director.

**Resolution 5** Mr Liu Fuchun will upon re-appointment continue as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. He is considered a Non-Executive, Independent Director.

**Resolution 6** Mr Ang Swee Tian will upon re-appointment continue as Chairman of the Audit Committee and a member of the Remuneration Committee, Nominating Committee and Risk Management Committee. He is considered a Non-Executive, Independent Director.

**Resolution 7** Mr Alan Haywood will upon re-appointment continue as Chairman of the Risk Management Committee and a member of the Audit Committee. He is considered a Non-Executive, Non-Independent Director. He was appointed as a Director on 24 February 2011.

**Resolution 9** The ordinary resolution proposed in item 7 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting, to issue shares in the Company. The aggregate number of shares which the Directors may issue under this Resolution shall not exceed fifty per cent (50%) of the issued shares (excluding treasury shares) in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per cent. (20%) of the issued shares (excluding treasury shares) in the capital of the Company. The percentage of issued share capital is based on the Company's issued shares (excluding treasury shares) in the capital of the Company at the time this proposed Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion of convertible securities or share options on issue at the time this proposed Ordinary Resolution is passed; and (b) any subsequent consolidation or subdivision of shares.

## Article 91 of the Articles of Association of the Company

Every Director shall retire from office once every three years and for this purpose, at each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

## Article 97 of the Articles of Association of the Company

The Company may by ordinary resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Without prejudice thereto, the Directors shall have power at any time so to do, but so that the total number of Directors shall not thereby exceed the maximum number (if any) fixed by or in accordance with these presents. Any person so appointed by the Directors shall hold office until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

# Notice of Annual General Meeting

## **Notice of Book Closure Date and Payment Date for Final Dividend (One-Tier, Tax- Exempt) (“Dividend”)**

The Company gives notice that, subject to the approval of the shareholders to the Dividend at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed on 10 May 2011 for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 11 May 2011. Duly completed registered transfers of ordinary shares in the capital of the Company received by the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 before 5.00 p.m. on 9 May 2011, will be registered in the Register of Members and the Transfer Books of the Company to determine shareholders’ entitlements to the Dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited (“CDP”), the Dividend will be paid by the Company to CDP which will, in turn, distribute the entitlements to the Dividend to CDP account-holders in accordance with its normal practice.

The Dividend, if approved by shareholders, will be paid on 20 May 2011.

**CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD**

Incorporated in the Republic of Singapore  
Company Registration No.199303293Z

**IMPORTANT:**

- For investors who have used their CPF monies to buy China Aviation Oil (Singapore) Corporation Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

**PROXY FORM**

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of China Aviation Oil (Singapore) Corporation Ltd (the "Company"), hereby appoint:

Name	NRIC/Passport	Proportion of Shareholdings	
		Number of Shares	%
Address			
and/or (delete as appropriate)			
Name	NRIC/Passport	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her/them, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the 17th Annual General Meeting of the Company, to be held at Raffles Town Club, Dunearn 2 & 3, Level 1, 1 Plymouth Avenue, Singapore 297753 on Thursday, 28 April 2011 at 3:00 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

**(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)**

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts		
2	Declaration of Dividend		
3	Directors' fees		
4	Re-election of Dr Wang Kai Yuen as a Director		
5	Re-election of Mr Liu Fuchun as a Director		
6	Re-election of Mr Ang Swee Tian as a Director		
7	Re-election of Mr Alan Haywood as a Director		
8	Auditors and their remuneration		
	Special Business		
9	Authority to Directors to issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s) or  
Common Seal of Corporate Shareholder

\* Delete where inapplicable



**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM**

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in section 130A of the Companies Act, Cap.50 of Singapore), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by the member.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Temasek Boulevard #31- 02, Suntec Tower Three Singapore 038988 not less than 48 hours before the time appointed for the Meeting.

*Fold along this line (1)*

Affix  
Postage  
Stamp

**The Company Secretary**  
**China Aviation Oil (Singapore) Corporation Ltd**  
8 Temasek Boulevard #31-02  
Suntec Tower Three  
Singapore 038988

*Fold along this line (2)*

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# Corporate Information

(as at 15 March 2011)

## Directors

Sun Li  
(Chairman / Non-Independent,  
Non-Executive Director)

Wang Kai Yuen  
(Deputy Chairman,  
Lead Independent Director)

Meng Fanqiu  
(Chief Executive Officer /  
Executive Director)

Ang Swee Tian  
(Independent Director)

Chen Liming  
(Non-Independent,  
Non-Executive Director)

Alan Haywood  
(Non-Independent,  
Non-Executive Director)

Liu Fuchun  
(Independent Director)

Luo Qun  
(Non-Independent,  
Non-Executive Director)

Zhao Shousen  
(Non-Independent,  
Non-Executive Director)

## Audit Committee

Ang Swee Tian (Chairman)  
Zhao Shousen (Vice Chairman)  
Wang Kai Yuen  
Liu Fuchun  
Alan Haywood

## Remuneration Committee

Wang Kai Yuen (Chairman)  
Luo Qun (Vice Chairman)  
Liu Fuchun  
Chen Liming  
Ang Swee Tian

## Nominating Committee

Liu Fuchun (Chairman)  
Luo Qun (Vice Chairman)  
Wang Kai Yuen  
Chen Liming  
Ang Swee Tian

## Risk Management Committee

Alan Haywood (Chairman)  
Zhao Shousen  
Ang Swee Tian

## Company Secretary

Doreen Nah

## Auditors

KPMG LLP  
*Public Accountants and  
Certified Public Accountants*  
(Appointed on 28 April 2006)  
Partner in charge:  
Tay Puay Cheng – 5 years (up to FY2010)  
Ang Fung Fung – with effect from FY2011

## Share Registrar And Share Transfer Office

Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623

## Principal Bankers

ABN AMRO Bank, N.V.  
Agricultural Bank of China, Singapore Branch  
ANZ  
BNP Paribas, Singapore Branch  
Bank of China, Singapore Branch  
Bank of Communications Co., Ltd, Singapore Branch  
Crédit Agricole, Singapore Branch  
Industrial and Commercial Bank of China, Singapore Branch  
ING Bank N.V., Singapore Branch  
Rabobank International, Singapore Branch  
The Hongkong and Shanghai Banking Corporation Limited  
United Overseas Bank Limited

## Registered Office

8 Temasek Boulevard  
#31-02 Suntec Tower Three  
Singapore 038988  
Tel: (65) 6334 8979  
Fax: (65) 6333 5283  
Website: www.caosco.com

## 公司信息

(截至2011年3月15日)

## 董事

孙立  
(董事长/非独立、非执行董事)

王家园  
(副董事长/首席独立董事)

孟繁秋  
(首席执行官/执行董事)

汪瑞典  
(独立董事)

陈黎明  
(非独立、非执行董事)

Alan Haywood  
(非独立、非执行董事)

刘福春  
(独立董事)

罗群  
(非独立、非执行董事)

赵寿森  
(非独立、非执行董事)

## 审计委员会

汪瑞典 (主席)  
赵寿森 (副主席)  
王家园  
刘福春  
Alan Haywood

## 薪酬委员会

王家园 (主席)  
罗群 (副主席)  
刘福春  
陈黎明  
汪瑞典

## 提名委员会

刘福春 (主席)  
罗群 (副主席)  
王家园  
陈黎明  
汪瑞典

## 风险管理委员会

Alan Haywood (主席)  
赵寿森  
汪瑞典

## 公司秘书

蓝肖蝶

## 外部审计师

KPMG LLP  
*Public Accountants and  
Certified Public Accountants*  
(受聘于2006年4月28日)  
负责合伙人:  
郑培深(5年, 到2010财年为)  
洪芳芳(从2011财年起)

## 股票登记处和转让处

Boardroom Corporate &  
Advisory Services Pte. Ltd.  
50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623

## 主要银行

ABN AMRO Bank, N.V.  
Agricultural Bank of China, Singapore Branch  
ANZ  
BNP Paribas, Singapore Branch  
Bank of China, Singapore Branch  
Bank of Communications Co., Ltd, Singapore Branch  
Crédit Agricole, Singapore Branch  
Industrial and Commercial Bank of China, Singapore Branch  
ING Bank N.V., Singapore Branch  
Rabobank International, Singapore Branch  
The Hongkong and Shanghai Banking Corporation Limited  
United Overseas Bank Limited

## 注册办公室

淡马锡林荫道8号新达城第3大厦31楼2号  
新加坡邮区038988  
电话: (65) 6334 8979  
传真: (65) 6333 5283  
网址: www.caosco.com



**China Aviation Oil (Singapore) Corporation Ltd**  
**中国航油（新加坡）股份有限公司**

Company Registration No. 199303293Z  
8 Temasek Boulevard, #31-02 Suntec Tower Three, Singapore 038988  
Tel : (65) 6334 8979 Fax : (65) 6333 5283  
Website : [www.caosco.com](http://www.caosco.com)