



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



[STABILITY • DIVERSITY • AGILITY]

Annual Report 2012

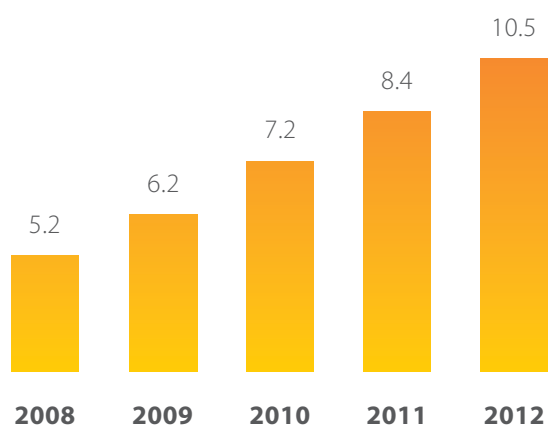
2012年年度报告

Financial Highlights

业绩亮点

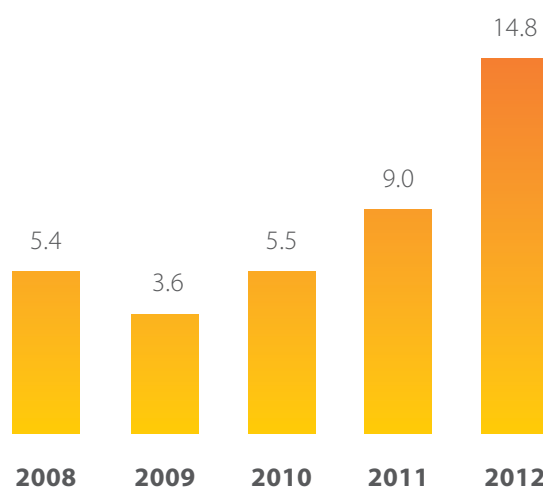
TOTAL JET FUEL SUPPLY
AND TRADING VOLUME
航油供应与贸易总量

10.5 million tonnes



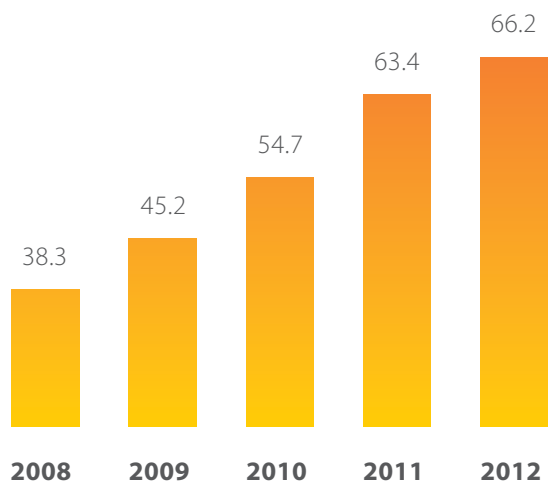
REVENUE
营业额

US\$14.8 billion



NET PROFIT
净利润

US\$66.2 million



RETURN ON EQUITY
股本回报率

15%

RETURN ON ASSETS
资产回报率

5%

DEBT-EQUITY RATIO
股本带息负债率

0.4%

CAO At A Glance

公司简介

Incorporated in Singapore on 26 May 1993, China Aviation Oil (Singapore) Corporation Ltd ("CAO") was listed on the mainboard of the Singapore Exchange Securities Trading Limited on 6 December 2001.

The parent company of CAO is China National Aviation Fuel Group Corporation ("CNAF"), a large State-owned enterprise in the People's Republic of China ("China"). CNAF is the largest aviation transportation logistics service provider in China, providing aviation fuel distribution, storage and refuelling services at 169 airports in China. CNAF holds about 51% of the total issued shares of CAO.

BP Investments Asia Limited, a subsidiary of oil major, 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("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最大的股东是中国航空油料集团公司("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169家机场提供航空油料的分配、存储和加注服务。

石油巨头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 is the largest physical jet fuel trader in Asia Pacific and the sole importer of jet fuel into China. We supply jet fuel to the key international airports in China, including Beijing Capital International Airport, Shanghai Pudong International Airport and Guangzhou Baiyun International Airport. CAO also markets and supplies aviation fuel to airline companies at more than 20 international airports outside China, including locations in Europe (e.g. Amsterdam and Frankfurt), North America (e.g. Los Angeles and Anchorage), Asia Pacific (e.g. Hong Kong and Taipei) and Middle East (e.g. Dubai and Istanbul).

航油供应与贸易

CAO是亚太地区最大的航油实货贸易商，是中国独家航油进口商。我们向中国主要的国际机场供应航油，包括北京首都国际机场、上海浦东国际机场和广州白云国际机场等。CAO也在中国境外的20多个国际机场向航空公司供应航油，地点包括欧洲(阿姆斯特丹、法兰克福等)、北美(洛杉矶、安克雷奇等)、亚太(香港、台北、河内等)，以及中东(迪拜、伊斯坦布尔等)。



Trading of Other Oil Products

CAO aims to diversify its income streams and expand its scale of business by building up supply and trading businesses in other oil products, which include gas oil, fuel oil and petrochemicals. CAO has established its presence as an active trader of these oil products in the Asia Pacific market.

其他油品贸易业务

我们通过建立多元化业务来拓展公司的收入来源，提升公司的业务规模。我们的贸易品种包括柴油、燃料油和石化产品，并在亚太区的市场上积极开展贸易活动。

Group Structure (as at 15 March 2013)
公司结构图 (截至2013年3月15日)



* Including treasury shares
 包括库存股



Investments in Oil-related Assets

Through investments and acquisitions in oil-related assets that are synergetic to its supply and trading businesses, CAO aims to achieve a vertical integration of its value chain to deliver compounded growth. Our assets include:

Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd (“SPIA”) (33% equity stake)

SPIA is the exclusive supplier of jet fuel at Shanghai Pudong International Airport (“Pudong Airport”). SPIA owns and operates all the refuelling facilities at Pudong Airport, including the hydrant system, dispenser fleet, refuelling stations, airport tank farm, a 42-km dedicated jet pipeline connecting Pudong Airport to Waigaoqiao terminal and storage facilities of 200,000 m³ in capacity.

China National Aviation Fuel TSN-PEK Pipeline Transportation Ltd (“TSN-PEKCL”) (49% equity stake)

TSN-PEKCL owns a 185-km long pipeline that transports the majority of jet fuel requirements of Beijing Capital International Airport and Tianjin Binhai International Airport.

China Aviation Oil Xinyuan Petrochemicals Co., Ltd (“Xinyuan”) (39% equity stake)

Xinyuan owns and operates a storage tank of 50,000 m³ capacity in the Guangdong Province of the PRC and trades jet fuel and other oil products.

Oilhub Korea Yeosu Co., Ltd (“OKYC”) (26% equity stake)

OKYC is constructing the Northeast Asia Hub Terminal in Yeosu of Korea (“NEA Hub Terminal”), which has a total storage capacity of 1.3 million m³ for crude oil and oil products and is expected to commence operations in second quarter of 2013.

油品相关实业投资

我们通过纵向整合公司业务价值链，对油品相关实业资产进行战略收购与投资，积极为股东创造可持续的复合价值。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 (“浦东航油”) —— CAO持股33%

浦东航油是上海浦东国际机场(简称“浦东机场”)的唯一航油供应商，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，以及连接浦东机场与外高桥码头的42公里专用航油管线。其航油储罐总库容量达20万立方米。

中国航油集团津京管道运输有限责任公司管输公司 —— CAO持股49%

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

中国航油集团新源石化有限公司新源公司 —— CAO持股39%

该公司拥有位于中国广东茂名的5万立方油库，公司从事航油及其他油品的贸易。

韩国丽水枢纽油库有限公司 —— CAO持股26%

该公司正在韩国丽水建设新的东北亚油库枢纽，总库容130万立方，可储存原油及其他油品，预期2013年第二季度投产。

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[S T A B I L I T Y]

Delivering strong performance amid market uncertainties demonstrates
CAO's solid business fundamentals.

Chairman's Statement 董事长致辞



Sun Li
Chairman

“To facilitate the long-term development of the Group and to extend our presence in the global arena, CAO has developed its corporate vision based on its existing 5-year Strategic Plan, i.e. “to become a top-tier global integrated transportation fuels provider, constantly innovating and creating value for our shareholders, employees, business partners and the community”.”

Dear Shareholders,

2012 had been one of the most challenging years for oil trading companies. Global oil demand was sluggish, due to the weak global environment that was largely brought about by concerns over the prospects of Euro zone's recovery, prolonged slow economic growth in the United States and the slowdown in economic growth in the People's Republic of China ("China"). Nevertheless, the CAO Group (the "Group") achieved commendable results for the 12 months ended 31 December 2012 ("FY 2012"). Group revenue exceeded US\$10 billion and jet fuel supply and trading volume crossed 10 million tonnes for the first time. Net profit attributable to shareholders ("net profit") increased 4.4% to US\$66.2 million, which is a record high for the fourth consecutive year.

OUR PERFORMANCE IN 2012

Consolidating and strengthening our position as the sole importer of jet fuel in China

The Group acquired a wholly owned subsidiary, China Aviation Oil (Hong Kong) Company Limited ("CAOHK") from its parent company, China National Aviation Fuel Group Corporation ("CNAF") in the first quarter of 2012. With this acquisition, the Group obtained the right to supply imported jet fuel to Shenzhen Bao'an International Airport and became the sole importer of jet fuel into China.

Besides the three major international airports in Beijing, Shanghai and Guangzhou, the Group also supplies jet fuel to Shenzhen, Nanjing, Chongqing, Chengdu and other fast-growing international airports in China.

Despite the slowdown in China's economic growth, the world's second largest civil aviation industry has continued to grow in 2012. China's air passenger throughput hit 319 million in 2012, an increase of 9.2% over 2011. Air transportation turnover volume was 6.1% higher at 60.8 billion tonne-kilometres. This translated into robust demand for jet fuel in China, which had increased 12% over 2011 to approximately 16 million tonnes in 2012.

Driven by China's jet fuel demand growth, the Group was able to capitalise on its unique competitive strengths as the sole importer of jet fuel into China and the largest physical jet fuel trader in Asia Pacific. Volume of jet fuel supplied by the Group to China increased 8% in FY 2012 as compared to FY 2011. Not only has this resulted in higher profit for the Group's jet fuel supply business, but more importantly, it also formed the foundation for us to conduct optimisation and trading activities.

Stronger profit generating ability

The Group continued to leverage on its competitive advantage in China's jet fuel supply market to strengthen its capability in entrepreneurial trading. Total jet fuel supply and trading volume increased 25.8% to 10.5 million tonnes in 2012. As the Group's trading activities continued to expand into new markets, gross profit derived from optimisation and trading activities has substantially surpassed gross profit derived from supply contracts in China.

In 2012, the Group sustained efforts to expand its aviation fuel marketing business. The Group now supplies aviation fuel to airline companies at more than 20 international airports outside China, including locations in Europe, Middle East, North America and Asia Pacific. Business volume had surged 36 times over the past year to approximately 750,000 tonnes.

The Group has made headway in its efforts to diversify into the supply and trading of other oil products. Total trading volume of other oil products increased sevenfold to 4.3 million tonnes in 2012. Profitability of this business segment also improved significantly.

Group gross profit – an indicator of the profitability of our supply and trading business – stood at US\$42.8 million in 2012, an increase of 7.0% as compared to 2011. This is testament to the resilience of the Group's business model and ability of the trading team to generate profit under difficult market conditions.

Stable profit contribution from associated companies

Profit contribution from associated companies remained stable. In 2012, profit contribution from associated companies stood at US\$43.2 million or 65% of the Group net profit. Our key associated company, Shanghai Pudong International Aviation Fuel Supply Company Ltd contributed US\$38.2 million in FY 2012, which was comparable with the profit contribution for 2011.

Establishing a global business network

The Group has made substantial progress in establishing a global trading network with the acquisitions of CAOHK and North American Fuel Corporation ("NAFCO"). We have also completed the investment in Oilhub Korea Yeosu Co., Ltd. The roadmap for building up a global business network has been established, as the implementation plan for setting up a Europe trading subsidiary is in place and we have formulated market entry strategies for Middle East and Australia.

Chairman's Statement

董事长致辞

CORPORATE GOVERNANCE

The Group remains committed to achieving the highest standards of corporate governance and strives to surpass the minimum requirements of openness, integrity and accountability prescribed by the Singapore Exchange Securities Trading Limited and the recommendations of the Code of Corporate Governance 2005.

The Monetary Authority of Singapore issued the revised Code of Corporate Governance in May 2012 (the "2012 Code"), applicable for financial years beginning on or after November 2012. We will report on it for the first time in 2013 financial year. In line with our commitment in ensuring that good corporate governance practices remain at the forefront of CAO's best business practice, the Board approved and adopted a CAO Corporate Governance Policy in 2012 (the "CAO Corporate Governance Policy"), in which corporate governance principles and guidelines are devised in line with the principles and guidelines set out in the 2012 Code. Under the CAO Corporate Governance Policy, relevant business units are also mandated with the responsibility to take the necessary implementation steps to oversee the adoption of the CAO Corporate Governance Policy in their practices, processes and operations.

I am pleased to report that CAO is already in substantial compliance with the 2012 Code and will strive to ensure full compliance before the stipulated deadline.

Over the past year, the commitment and dedication of the Board of Directors in steering the Group's strategic directions had helped the Group sustain robust growth, whilst ensuring effective control of significant risks and compliance with applicable rules and regulations.

In addition, the Board has put in place a set of well-defined and sound system of internal controls and processes which CAO voluntarily subjects them to biennial review by an independent third party consultant.

In the 2012 Governance and Transparency Index published by Singapore's Business Times and the Corporate Governance & Financial Reporting Centre of the National University of Singapore, CAO was ranked 30th out of 674 Singapore-listed companies assessed, which was a notch up from its 2011 ranking and puts it among the top 5% of the Singapore-listed companies.

CAO was awarded "Most Transparent Company" (runner-up in the Oil & Gas category) in the 2012 Investors' Choice Awards by Securities Investors Association (Singapore) for the third year running.



CAO ranked 5th in 2013 Singapore International 100 ranking
CAO跻身五大“新加坡国际100强”企业之一

DIVIDEND

To show our appreciation to shareholders, the Board of Directors has recommended that shareholders receive a final tax-exempt dividend of S\$0.02 per share, to be approved at the Annual General Meeting scheduled for 25 April 2013. This represents about 18% of profit after tax for FY 2012 (FY 2011: 18%). The Group has maintained a minimum ordinary dividend distribution of S\$0.02 per share since 2006. A special dividend of S\$0.05 per share was declared and paid in FY 2007 and an interim dividend of S\$0.02 per share was declared and paid in FY 2010. We will continue to maintain consistent and stable dividend payouts. The Board may also consider proposing the distribution of interim or special dividends, depending on the Group's financial performance and capital expenditure requirements during the year.

OUTLOOK

The Civil Aviation Authority of China projected a growth rate of 8.5% for China's civil aviation industry total air traffic turnover in 2013. Based on our forecast, China's total jet fuel demand will increase by about 9% and jet fuel import demand will maintain moderate growth. In the long run, China is still the most promising aviation market in the world and it is expected to maintain robust growth. By 2020, total turnover of China's civil aviation industry is projected to reach 170 billion tonne-kilometres, which means an average double-digit growth rate during 2013-2020. This will in turn generate greater demand for jet fuel and will facilitate CAO's business expansion in China and lay a sound foundation for the next stage of development.

However, uncertainties remain abundant in the world economy despite an expected recovery in global economic growth in 2013, as political and economic issues remain unresolved in the United States, Europe and Middle East. Against this backdrop, we expect oil prices to remain volatile, posing challenges to oil trading activities.

On the other hand, dynamics of the international oil market are changing as the United States is expected to become an oil-exporting country due to its rising shale production. Northeast Asia and the Middle East will become major sources of oil products as refining capacities in these regions increase significantly. While such changing dynamics will create opportunities for trading, it also means that trading strategies will have to be adjusted and competition is expected to intensify.

The changes in the global oil market necessitate the acceleration of building a global business network for the Group in its next growth phase, to expand beyond Asia Pacific to capture business opportunities that arise from the changing market dynamics.

2020 VISION & STRATEGY

By end 2012, the Group achieved almost all of its 2014 strategic targets — being a leading jet fuel trader in Asia Pacific and an important trader in other oil products and having attained double-digit average annual growth for 2010 - 2012 for key performance indicators set.



Into-plane refuelling at a Chinese airport
在中国机场加注航油

To facilitate the long-term development of the Group and to extend our presence in the global arena, CAO has developed its corporate vision based on its existing 5-year Strategic Plan, i.e. “to become a top-tier global integrated transportation fuels provider, constantly innovating and creating value for our shareholders, employees, business partners and the community”.

In line with the Group’s vision statement, our strategic targets for 2020 are to become: (i) a global leader in jet fuel supply and trading and a reputable competitor in the global supply and trading of other oil products; (ii) an important player in international aviation fuel services; and (iii) a niche market player in future clean transportation fuels.

CNAF has identified CAO as the core entity for the implementation of its overseas expansion strategy and will provide strong support to CAO in the areas of strategy, policies and resources, which will be instrumental to CAO achieving its strategic targets.

Over the long term, I am confident that with a clear strategic plan and a competent management team, coupled with the support from shareholders, business partners and other stakeholders, CAO will establish a strong presence in the global transportation fuels market.

APPRECIATION

On behalf of the Board, I wish to thank all shareholders for your unstinting support and confidence in CAO. We commend our management and staff for their dedication and hard work which are instrumental to the success of CAO.

I wish to express my gratitude to the government agencies in China and Singapore for their support and guidance. To our stakeholders in Singapore, thank you for your support of CAO.

I would also like to thank my fellow Directors for their guidance and contributions to CAO.

I look forward to your continued support and assistance as the Group strives towards achieving its vision and targets for 2020.

Sun Li
Chairman

Chairman's Statement

董事长致辞

各位股东：

2012年，对油品贸易公司而言是充满挑战的一年。全球经济疲软、欧元区前景堪忧、美国经济长期增长乏力、中国经济增长放缓都导致了全球油品需求陷入低迷状态。对中国航油(新加坡)股份有限公司(“CAO”)而言，却是取得全面丰收的一年。CAO收入首次突破100亿美元，航油供应与贸易量也首次跨越1000万吨。可向股东分配的净利润(“净利润”)增加4.4%至6620万美元，连续第4年创历史新高。

2012年业绩

中国进口航油的主体地位进一步巩固和壮大

2012年，CAO成功收购了中国航空油料集团公司(“CNAF”)全资子公司——中国航油(香港)有限公司(“香港公司”)，从而获得了深圳宝安国际机场的航油供应权，使CAO成为中国100%的航油进口商。

除了为北京、上海和广州三大国际机场供应航油，CAO也为深圳、南京、重庆、成都和中国其他新的保税机场供应航油。

尽管中国经济增速放缓，但其作为世界第二大民航市场却仍保持增长。2012年中国的航空旅客吞吐量达到3亿人次，增幅达9.2%，而航空运输周转量为608亿吨公里，增长6.1%。在此带动下，2012年中国的航油需求在2011年的基础上增长12%至1600万吨。

在中国国内需求增长的拉动下，CAO作为中国唯一航油进口商以及亚太地区最大航油实货贸易商的独特优势就发挥了作用。CAO对中国的航油供应量也同比增加8%。这不仅增加了供应利润，更重要的是为航油优化与贸易创造了条件。

自营能力显著增强

2012年，CAO依托中国的航油供应市场，强化自营贸易，航油供应与贸易量为1050万吨，增长25.8%。贸易区域不断扩大，贸易利润远远超过为中国进口航油的供应利润。

2012年，公司继续大力开拓航空市场营销业务，在中国以外的机场为航空公司供应航油。中国以外的航油供应网络已覆盖20多个国际机场，包括欧洲、中东、北美和亚太地区。业务量在过去一年也激增至75万吨左右，同比增长36%。

2012年，公司在拓展其他油品贸易、发展多元化业务方面，也取得了重要进展。2012年其他油品贸易总量增长7倍至430万吨，其他油品业务整体盈利显著提升。

作为CAO供应与贸易业务盈利能力指标的毛利总额在2012年同比增长7.0%，达4280万美元。这证明了面对不利市场环境，公司业务模式的适应能力以及扎实的贸易能力。

联营公司投资收益保持稳健

2012年联营公司为CAO的净利润贡献4320万美元，占公司净利总额的65%。其中，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贡献3820万美元，与上年持平。

全球业务网络已具雏形

CAO成功收购香港公司、北美航油有限公司后，向建立全球业务网络迈出了坚实的一步。公司也完成了韩国丽水东北亚枢纽油库项目的投资，并拟定了设立欧洲公司行动计划，完成了进入中东和澳洲市场的战略研究。全球业务发展的蓝图已经形成。

公司治理

CAO始终秉承坚持高标准的公司治理的理念，并采取超越新加坡证券交易所对公开、诚信和可靠的标准以及公司治理守则2005的最低要求。

新加坡金融管理局于2012年5月发布了修订后的公司治理守则(“2012守则”)，该守则适用于2012年11月之后的企业财年。CAO将从2013财年开始首次具体披露是否符合2012守则的要求。为了确保CAO在经营过程中实践良好的公司治理，董事会批准并采纳了《CAO公司治理政策》，其治理方针和原则完全依照2012守则所规定的方针和原则而制定。根据《CAO公司治理政策》，相关部门同样有责任采取必要措施，对其在实践、流程和运作方面是否遵守该政策进行监督。

CAO目前已遵守了2012守则的大部分要求，并正在采取措施调整公司治理做法，力争在规定的截止日期前做到全面遵守。

一年来，在全体董事的共同努力下，董事会运行高效规范、决策科学合理，正确把握了公司的发展方向，有效地控制了重大风险，确保了公司合规、健康和快速发展。

此外，董事会也制定了一套明确、稳健的内控体系和流程，CAO也主动邀请第三方独立顾问对内控系统进行每两年一次的审核。

在新加坡国立大学公司治理与财务报告中心和《商业时报》发布的治理与透明度排名中，CAO在674家接受评估的新加坡上市公司中居第30位，位列前5%，较2011年排名又有所提升。

我们也再次获得了新加坡证券投资者协会的肯定，在2012年连续第三年获得该协会颁发的“最透明公司奖”(油气行业第二名)。

股息

为了感谢和回馈股东，董事会提议派发每股0.02新元的年终免税股息，这一决议将在2013年4月25日召开的常年股东大会上提请股东批准。提议派发的股息占2012财年税后利润的18%(2011财年:18%)。CAO自2006年起就一直保持每年至少派发每股0.02新元的股息，另外在2007财年还向股东派发了每股0.05新元的特别股息，以及在2010年派发了每股0.02新元的期中股息。我们将保持持续且稳定的股息派发。董事会也将根据当年的业绩和资本支出需求，考虑提议派发期中或特别股息。



Oil storage facilities at CNAF
CNAF 储罐设施

展望

展望2013年，中国民航局预测全行业运输总周转量将增长8.5%。根据这一预测，中国的航油总需求量将增加约9%，进口需求量也将保持稳中有升的态势。从长期来看，中国仍然是全球最具发展潜力的航空市场，未来有望继续保持较快发展的势头，据预测，到2020年民航运输总周转量将达到1700亿吨公里，这意味着2013—2020年期间中国民航业将以年均双位数的速度增长，也必将对航油产生更大需求，有助于CAO拓展中国市场，为公司的下一阶段的发展奠定良好基础。

尽管世界经济在2013年有望复苏，美国、欧洲和中东的政治和经济问题却仍未能得以解决，使得全球经济仍充满不确定因素。这一大环境下，预计油价会继续处于波动状态，为油品贸易活动带来挑战。

另一方面，随着美国大量开采页岩气从而预期将成为油品出口国，国际油品市场格局也正在发生变化。东北亚和中东的炼厂产能也在不断提升，使得这些地区有望成为世界油品的主要来源地。上述市场格局的变化，为贸易创造了机会，同时意味着贸易策略要有相应的调整，竞争也会进一步加剧。

世界油品市场格局的变化要求CAO下一阶段必须加快建设全球业务网络，使贸易活动从亚太走向全球，争取市场变化所带来的机遇。

2020愿景与战略

截至2012年年底，CAO已基本实现了其2014年战略目标——成为亚太区领先的航油供应与贸易商，其他油品市场的重要参与者，关键业绩指标在2010—2012年取得双位数年均增长率。

为促进公司长远发展，立足全球，公司在现有5年战略规划的基础上进一步明确了公司的发展愿景——“成为富有创新精神的全球一流运输燃料一体化方案提供商，持续为股东、员工、合作伙伴和社会创造价值”。

基于公司的愿景，公司制定了2020年战略目标，即发展成为：(1)全球领先的航油供应和贸易商，全球知名的其他油品供应与贸易商；(2)重要的国际机场供油服务商；以及(3)具有独特优势的未來清洁运输燃料的市场参与者。

CNAF已将CAO作为其海外战略的核心，将从战略、政策和资源方面给予CAO以强有力的支持，这对于CAO的战略目标的成功实现至关重要。

长远而言，公司具备明确的发展战略和高素质的管理团队，加上来自股东、商业伙伴以及其他利益相关方的支持，我坚信CAO将一定能够在国际运输燃料市场占据一席之地。

感谢

在此，我代表董事会感谢所有股东对CAO一如既往的支持与信心。也感谢管理层和全体员工的辛勤工作，CAO的成功离不开你们的努力。

我还要感谢中新两国政府相关部门的支持和指导。感谢新加坡社会各界人士对CAO的关心和支持。

我也感谢各位董事为CAO发展提供的宝贵意见和建议，确保董事会有效运行。

希望在CAO朝着2020愿景努力的过程中，各位能够继续给予支持和帮助。

孙立
董事长

2020 Vision, Mission and Strategy

2020 愿景、使命与战略

OUR VISION

To be a top-tier integrated transportation fuels provider, constantly innovating and creating value for our shareholders, employees, business partners and the community

OUR MISSION

- To maintain our position as the preferred importer and most important supplier of jet fuel in the People's Republic of China
- To be a global leading jet fuel supplier/trader and a well-known international trader/supplier of other transportation fuels
- To maximise value for shareholders and to deliver and add value for customers through continuous innovation
- To adhere to high Health, Safety, Security & Environment ("HSSE") standards and ensure that our operations are safe, reliable and efficient, with minimal impact on the environment
- To foster a people-oriented corporate culture of Fairness, Integrity, Innovation and Transparency where our people can grow and develop together with the company
- To be a socially responsible company, proactively pursuing economic, cultural, educational and environmental initiatives

2020 TARGETS

- A global leader in jet fuel supply and trading, a reputable global supplier and trader of other oil products, with a focus on transportation fuels
- An important player in international aviation fuel marketing services
- A niche player in the supply and trading of future sustainable transportation fuels such as Liquefied Natural Gas (LNG)

2020 CORPORATE STRATEGY

CAO announced its 2020 Corporate Strategy on 28 February 2013, which was developed to build on its 2010 – 2014 Strategy. It sets out the strategic growth thrusts to achieve CAO's aspirations of becoming a top-tier integrated transportation fuels provider in the global arena.

While the geographical focus of CAO's 2010 – 2014 Corporate Strategy is Asia Pacific, the focus of the 2020 Corporate Strategy is to build a global supply and trading network. Aviation fuel marketing is a key growth priority for the Group's core jet fuel supply and trading business. CAO has also identified clean transportation fuels as a new business segment.

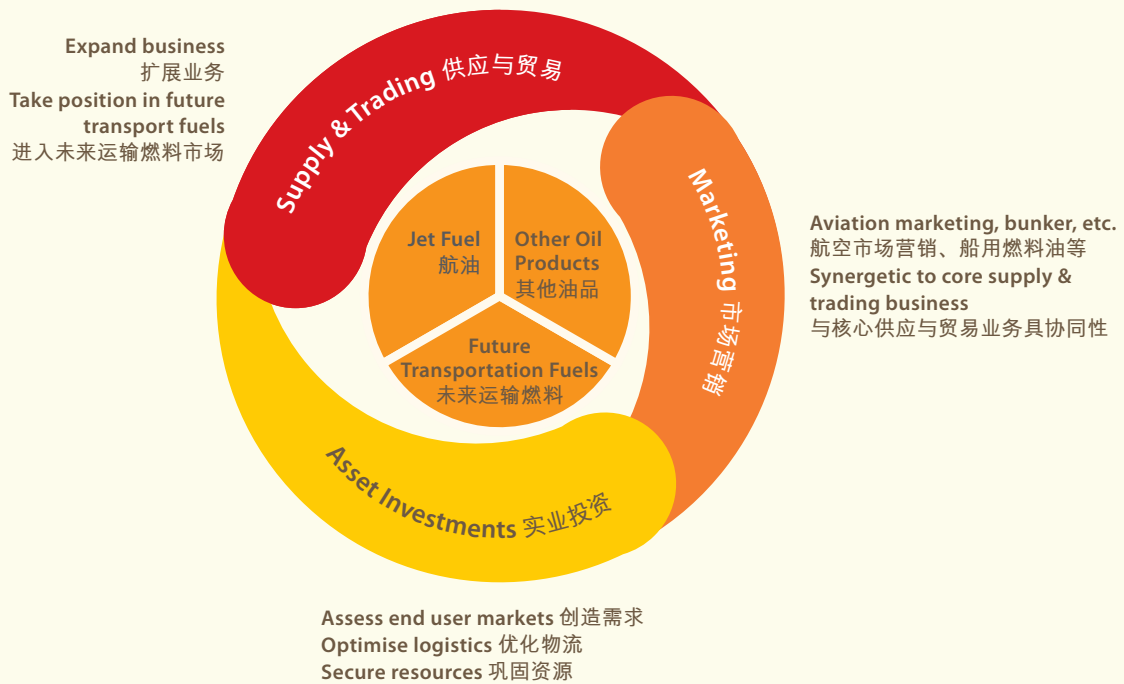
The supply and trading of jet fuel will remain the core business segment of the Group. With an entrenched presence in the jet fuel supply and trading markets in China and Asia Pacific, the Group intends to become a global leader for this product segment, through expansion of trading activities and developing our aviation marketing business in major markets around the world.

The Group has also identified fuel oil and gas oil as oil products where CAO has significant potential opportunities. CAO will build structural support for these product segments, which includes securing supply contracts to support trading activities and investing in synergetic assets.

Petrochemicals trading will remain an important complementary business of the Group and a key component of the Group's strategy to diversify into other oil products, as preliminary structural competitive advantage has been established in this business segment.

LNG and bio-jet fit well within CAO's strategy of developing further into transportation fuels. The Group will closely monitor developments in LNG and bio-jet and seek to participate in these markets when suitable opportunities arise.

In the next growth phase, CAO strives to sustain double-digit growth rates so as to target a twofold increase in volumes and profits by 2020 as compared to 2012.



公司愿景

成为富有创新精神的全球一流运输燃料一体化方案提供商，持续为股东、员工、合作伙伴和社会创造价值

公司使命

- 继续保持作为中国航油首选进口商和最重要的国际供应商的地位
- 成为全球领先的航油国际供应商/贸易商，其他运输燃料的国际知名贸易商/供应商
- 不断创新，为股东谋求价值最大化，帮助客户实现价值，并为其创造附加价值
- 坚持HSSE高标准，确保运营环境安全、可靠、高效、环保
- 以人为本，培育以公平、诚信、创新、透明为核心的企业文化，使员工与公司共同发展
- 积极承担公司对社会的经济责任、文化责任、教育责任和环境责任

2020年目标

- 成为全球领先的航油供应和贸易商，全球知名的其他运输燃料供应与贸易商
- 重要的国际机场供油服务商
- 具有独特优势的未來可持续运输燃料(如液化天然气，即LNG)供应与贸易商

公司战略

CAO于2013年2月28日公告了2020年战略，以2010—2014年战略规划为基础，制定了成为全球一流的一体化运输燃料供应商的战略规划。

CAO的2010—2014年战略的重点是亚太市场，而2020战略将放眼全球——要打造全球性的供应与贸易网络。CAO现将航空市场营销作为航油供应与贸易核心业务下的发展重点。CAO还将清洁运输能源视为新的业务发展领域。

航油将继续作为CAO的核心业务。CAO在中国和亚太的航油供应与贸易市场上已建立稳固的市场地位，在此基础上，公司将进一步在国际主要市场上拓展贸易、发展航空市场营销业务，成为国际航油市场上的领先者。

CAO还将燃料油和柴油作为有巨大潜力的业务来发展。CAO将为这些产品建立结构性的支持，包括签订供应合同来支持贸易以及投资协同性资产。

基于目前初步建立的结构优势，公司战略也将化工品业务作为一项主要的辅助业务，成为CAO实施相关多元化策略的主要组成部分。

LNG和生物航油也符合CAO进一步发展运输燃料业务的战略。集团也将密切关注LNG和生物航油的发展，积极寻找合适的进入时机。

在下一个发展阶段，CAO将力争保持双位数的增长率以实现2020年的业务量和利润较2012年翻一番。



[D I V E R S I T Y]

Our proactive efforts to expand into new markets
and *pursue new channels of growth*
have opened up more opportunities for value creation.



石

展

CEO's Review and Outlook

首席执行官业绩回顾与展望

WELL-POISED FOR GROWTH

Dear Shareholders,

In 2012, the global economic environment remained weak and oil markets were volatile. Under the guidance of the Board of Directors and with the collective efforts of Management and employees, the CAO Group (the "Group") stayed the course in our implementation of the corporate strategy and laid the foundation for the next phase of growth through investments, acquisitions, attracting talent and strengthening internal control systems. Over the past year, we overcame the challenging external operating environment and accomplished our targets for 2012. The Group sustained growth, with business volume and net profit hitting record highs for the fourth consecutive year. We also formulated the 2020 Corporate Strategy, which maps out the roadmap for the Group's next chapter of growth.

2012 OVERVIEW

Total supply and trading volume of the Group for the financial year ended 31 December 2012 ("FY 2012") stood at 14.8 million tonnes, an increase of 62.0% over FY 2011. Jet fuel supply and trading volume hit a record 10 million tonnes. Group revenue exceeded US\$10 billion for the first time as revenue increased 64.3% to US\$14.8 billion. Gross profit increased 7.0% to US\$42.8 million and net profit was 4.4% higher at US\$66.2 million.

The financial position of the Group remained healthy. As at 31 December 2012, total assets increased 38.2% over end 2011 to US\$1.7 billion, net assets increased 14.6% to US\$459.9 million. Debt to equity ratio remained low at 0.4%. The Group expanded its sources of funding by tapping the syndicated loan market during the course of the year. As at end 2012, total cash was US\$81.1 million and credit and trade financing facilities stood at approximately US\$2.5 billion, which effectively supported business growth.

We continued to uphold high standards of corporate governance. The Group's reputation and standing continued to strengthen. CAO was awarded "Most Transparent Company" by the Securities Investors Association (Singapore) for the third consecutive year since 2010. The Group was ranked fifth in the 2013 Singapore International 100 Ranking, up four positions from the 2011 ranking.

LEVERAGING ON CORE STRENGTHS TO CAPTURE MARKET OPPORTUNITIES

In 2012, we proactively seized market opportunities. Despite tough market conditions, the Group's core jet fuel supply and trading business sustained growth and our aviation fuel marketing business expanded rapidly. We achieved a breakthrough in our petrochemicals trading business and made substantial progress in building a global business network.

Jet Fuel

The jet fuel market was bearish for the first half of 2012, due to the Euro zone debt crisis, the weak United States ("US") economy and political tensions, which dampened incremental oil demand. The market flipped into deep backwardation in the second half of the year, driven by arbitrage movements to Europe and US that was partly due to unexpected shutdowns of some key refineries in these continents.

In 2012, South Korea ousted Qatar from fifth place in the league of Europe's overseas jet fuel suppliers, after it was granted an exemption from the European Union's 4.6% import duty since 1 July 2011. The significant increase in cargoes that flowed from Asia to Europe resulted in fewer cargoes available for trading and relatively less trading opportunities within the region.

Despite challenging market conditions, the Group capitalised on its core competencies in jet fuel supply and trading and successfully ensured the supply of imported jet fuel into China in 2012, without any safety or quality issue. Our ability to ensure certainty of supply has been further enhanced, as we strengthened customer relationships and consolidated our position as the sole supplier of imported jet fuel in China. Besides the key international airports, the Group also supplies jet fuel to the international airports at seven other cities in China, including Shenzhen, Chongqing, Chengdu and Hangzhou. CAO's jet fuel supply volume to China increased 8% in 2012 and this business forms the foundation of our optimisation and trading activities.

In 2012, notwithstanding limited jet fuel trading opportunities in Asia Pacific, the Group continued to expand its jet fuel supply network in this region, as well as in Europe and North America. CAO traded jet fuel actively through the Platts window and capitalised arbitrage opportunities to move cargoes from Asia to Europe, which was a first for CAO. Through these initiatives, CAO strengthened its standing in Asia Pacific's jet fuel market and is emerging as a leader in this market.



Meng Fanqiu
Chief Executive Officer/ Executive Director

“Despite tough market conditions, the Group’s core jet fuel supply and trading business sustained growth and our aviation fuel marketing business expanded rapidly. We achieved a breakthrough in our petrochemicals trading business and made substantial progress in building a global business network.”

CEO's Review and Outlook

首席执行官业绩回顾与展望

The Group significantly expanded its aviation fuel marketing business. We leveraged on our strategic collaboration with the major Chinese airlines as we proactively expanded the business of supplying aviation fuel to airlines outside China. Aviation fuel supply volume to airlines jumped from about 20,000 tonnes in 2011 to 750,000 tonnes in 2012, while the number of supply locations surged 300% to more than 20 airports outside China.

On the back of the substantial increase in aviation fuel supply volume and sustained growth in jet fuel trading volume, total jet fuel supply and trading volume increased 25.8% from FY 2011 to 10.5 million tonnes for FY 2012. Gross margins were affected due to higher procurement costs, as a result of reduced supplies of jet fuel in Asia Pacific, as well as higher shipping and procurement costs incurred to ensure certainty of jet fuel supply to China during the typhoon season in the third quarter of 2012. Nevertheless, gross margins for jet fuel continued to increase in 2012 over 2011.

Gas Oil

CAO established the gas oil trading book in January 2012, as part of the Group's strategy to diversify into other oil products.

The gas oil market began the year with weak fundamentals due to global economic woes. During the year, unplanned turnarounds of some refineries in the region and concurrent supply disruptions caused gas oil prices to spike up and forced the market into backwardation. The trading environment for gas oil was challenging throughout the year due to the backwardated market structure and high costs of storage.

Despite challenging market conditions, our gas oil trading team established a presence in the region within the first year of business. The main outlets of the physical gas oil cargoes traded included Indonesia, Singapore, Vietnam and Philippines. The gas oil trading team was also actively involved in paper trading, including Singapore OTC swaps, ICE Futures and East/West spread.

Fuel Oil

2012 was a difficult year for the fuel oil industry as a whole. The market started the year strongly but tumbled quickly thereafter and remained depressed for most of the year. Demand was badly affected by lower international shipping activities and reduced marine fuel consumption in the face of global economic slowdown, weaker Chinese demand, as well as lower than expected fuel oil demand from Japan following the shutdown of nuclear plants. A number of shipping companies encountered liquidity problems, some bunker companies closed down, several trading companies were impacted by bad debts and a number of trading teams were downsized.

Despite the challenging environment in 2012, we continued to grow our presence in the fuel oil market by adopting a more cautious approach. In line with the Group's strategy to build up an integrated supply chain, we strived to further develop the scale and scope of our fuel oil business. Fuel oil physical trading volume nearly doubled in FY 2012 over FY 2011, as we continued to maintain and build new relationships with oil majors, trading houses and end users.

Petrochemicals

In general, the aromatics market trended up strongly both on flat price and product margins (i.e. crack spread) and most products ended 2012 on a historical high. The buoyant market can be attributed to increased demand from China and Southeast Asia, coupled with permanent capacity reduction across the region.

In 2012, our petrochemicals business achieved record performance as we continued to gain traction in China and built up structural advantage. Total petrochemicals trading volume increased 473.7% from FY 2011 to 2.1 million tonnes, of which physical volume accounted for 0.8 million tonnes. CAO is now a key supplier of imported aromatic products in China. Gross profit from petrochemicals trading surged 1162.2% to a record high in FY 2012.

Products traded included paraxylene, benzene, toluene and isomer mixed xylenes. We sourced cargoes from Korea, Japan, Taiwan, Thailand, Kuwait, Oman, India, US, Russia, Turkey and the Euporean Union to fulfill our term and spot commitments to our customers.

We have built a sustainable business model with prudent risk management and a proven track record. The China market has become increasingly important to the successful implementation of our trading strategies. Therefore, we will continue to invest resources and deepen client relationships in China. At the same time, we will gradually tap into US and other strategically important petrochemical product markets.

Asset Investments and Business Expansion

In 2012, we established the broad framework of the Group's global business network. We completed the acquisitions of two wholly owned subsidiaries – China Aviation Oil (Hong Kong) Company Ltd ("CAOHK") and North American Fuel Corporation Ltd ("NAFCO"), as well as finalised plans to establish a subsidiary in Europe in 2013 following the completion of feasibility studies.

The Group completed its investment in Oilhub Korea Yeosu Co., Ltd ("OKYC"), which is expected to commence operations in the second quarter of 2013. We further enhanced our network of storage facilities in Asia Pacific, as we leased storage facilities in Singapore in addition to Korea and China.

Associated Companies

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

In 2012, SPIA's refuelling volume for international passenger flights increased in tandem with the robust growth of international air passenger traffic volume in China. However, total refuelling volume growth was impacted by the slowdown in international air cargo traffic. On the other hand, as oil prices trended lower in the second quarter of 2012, the decline in SPIA's sales revenue coupled with a slower reduction in cost of sales had affected SPIA's gross margins.

Nevertheless, SPIA achieved creditable performance in 2012. Total refuelling volume increased 1.6% over 2011 to 3.1 million tonnes. CAO's share of profit from SPIA increased 0.7% to US\$38.2 million. SPIA remains an important profit contributor to the Group, accounting for about 58% of FY 2012 Group net profit (2011: 60%).

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

Jet fuel transportation volume of TSN-PEKCL was a record high of 2.6 million tonnes in FY 2012, an increase of 5.8% compared to FY 2011. The increase was mainly driven by higher air traffic turnover at Beijing Capital International Airport. The Group's share of profits from TSN-PEKCL increased 52.1% to US\$1.8 million for FY 2012, mainly attributable to higher revenue from increase in jet fuel transportation volume and pipeline transportation service fee, as well as effective cost control.

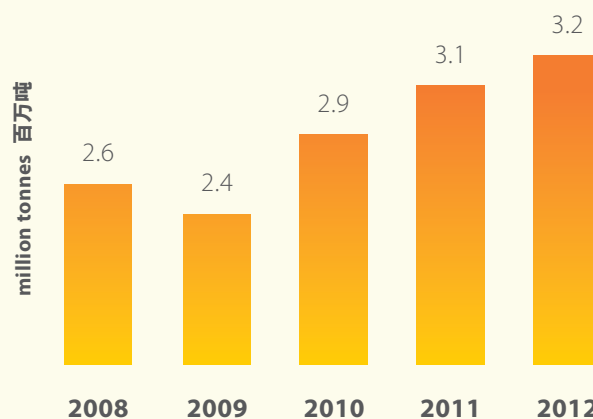
China Aviation Oil Xinyuan Petrochemicals Co., Ltd ("Xinyuan")

In 2012, while Xinyuan's storage business remained stable, profitability of its trading business was impacted by volatile oil prices. Nonetheless, Xinyuan achieved its fifth consecutive year of profitability and contributed US\$0.6 million to the Group.

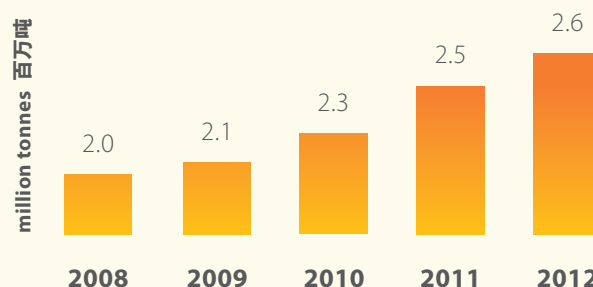
OKYC

With the expected commencement of operations of OKYC in the second quarter of 2013, the Group will have access to middle distillates storage facilities in Korea. This will also strengthen the Group's ability to ensure certainty of jet fuel supply to its China customers, expand our jet fuel and gas oil supply businesses into other markets and support arbitrage trading activities to North America. This will enhance our optimisation and trading opportunities and enable the Group to generate additional trading value.

SPIA REFUELLING VOLUMES 浦东航油加油量



TSN-PEKCL PIPELINE VOLUMES 管输公司管输量



POSITIONING FOR FUTURE GROWTH

In 2012, the Group actively invested in laying the foundation for the next phase of growth. The Group continued to build up its talent pool by hiring 15 new staff in trading, operations and other business functions. The Group tapped the syndicated loan market and obtained US\$145 million in revolving credit facilities, which formed part of the US\$2.5 billion credit and trade financing facilities of the Group as at end 2012. Investments in assets in 2012 amounted to approximately US\$45 million.

As Management strives towards achieving the Group's 2014 targets, we have also embarked on the journey to formulate the strategy to facilitate the long term development of the Group. Following a rigorous process of conducting in-depth analyses of the future operating environment, as well as taking into consideration the feedback and suggestions from shareholders, directors and employees, we developed the 2020 Corporate Strategy that is built upon the 2010-2014 Corporate Strategy.

CEO's Review and Outlook

首席执行官业绩回顾与展望

Under the 2020 Corporate Strategy, the Group aims "to be a top-tier global integrated transportation fuels provider, constantly innovating and creating value for our shareholders, employees, business partners and the community".

While the geographical focus of CAO's 2010-2014 Corporate Strategy is Asia Pacific, the focus of the 2020 Corporate Strategy is to build a global supply and trading network. We will leverage and build on the Group's competitive advantage in China and Asia Pacific to seek global expansion. We will continue to consolidate and expand our current core businesses and seek opportunities in the transportation fuels industries, as well as accelerating the pace of building a global business network and strengthening our asset base through investments and acquisitions.

In our next chapter of growth till 2020, the Group will strive to achieve our targets of becoming a global leader in jet fuel supply and trading and a reputable competitor in the global supply and trading of other oil products, an important player in international aviation fuel services, and a niche market player in future clean transportation fuels. The Group will endeavour to sustain robust growth by maintaining double-digit annual growth for volume, revenue and profit, such that a twofold increase from the Group's profit for 2012 can be achieved for 2020.

CORPORATE SOCIAL RESPONSIBILITY

As a good corporate citizen, CAO is committed to doing things responsibly in the communities we operate within. CAO's corporate social responsibility efforts are in the areas of new immigrants in Singapore, children and the environment.

For the first time, CAO partnered The Library Project to donate new reading books to under-privileged schools in China in 2012. The Library Project is a non-government charitable organisation focused on setting up libraries and reading corners for under-funded elementary schools in remote parts of China. CAO also supported green initiatives through sponsorship of and participation in events such as Singapore G1.

SHARPENING OUR COMPETITIVE EDGE

Looking ahead in 2013, the US economy has yet to show clear signs of recovery, the Euro zone debt crisis has not been resolved and the economic growth of China and other emerging economies are slowing down. In view of the uncertainties in the global economy, coupled with increasing complexities in the international politics arena, we expect oil prices to remain volatile. Competition in the oil trading markets is expected to intensify.

FACTS Global Energy has forecasted that jet fuel demand in Asia Pacific will grow by an average of 3.6% per annum from 2013 to 2015 while average annual growth rate of gas oil demand is 3.0% during the same period. Beyond 2020, we expect demand to slow down as the markets in China and India mature. China is expected to be the largest import market for paraxylene (PX). Additional supplies from new refining capacities in South Korea, Singapore, Thailand and other South-East Asian countries will primarily be exported to China. As for fuel oil, as Japan's demand weakens, we expect fuel oil demand to continue to decline in 2013 and will return to growth in 2015 with the rebound in bunker fuel demand.

In 2013, the Management of CAO will focus on sharpening the competitive edge of the Group, as we confront the complex and unpredictable macroeconomic environment and adapt to the changing dynamics of the oil markets. We will continue to press ahead with our efforts to build a global business network in line with the Group's 2020 Strategy. We will continue to consolidate and expand our core jet fuel business, intensify efforts to establish competitive advantages in other oil products and strengthen our asset base through investments and acquisitions of assets that are synergetic to our trading businesses. At the same time, we will proactively strengthen our trading capabilities and soft skills.

The key thrusts of our 2013 operating plan include the following:

Jet Fuel Supply & Trading

Our focus is to strengthen CAO's unique competitive advantage in jet fuel procurement by expanding our supply network and enhancing our ability to ensure certainty of jet fuel supply.

Efforts will be made to enhance CAO's integrated jet fuel trading ability by increasing paper trading volumes and trading activities on Platts window. Another key initiative is to enter new markets for supply of jet fuel, so as to create more optimisation and trading opportunities.

As for the marketing and supply of aviation fuel to airlines outside China, we will continue to strive to increase the Group's market share by further strengthening our strategic collaboration with major Chinese airline companies and enhancing our aviation fuel marketing and supply capability.

Trading of Other Oil Products

We will step up efforts to establish structural advantages, so as to strengthen the profitability of the trading of other oil products. For fuel oil, we will focus on building a sustainable business platform by strengthening our presence in Singapore,

venturing into the Middle East and leveraging on our business relationships in China so as to build up an integrated value chain comprising procurement, storage, blending, distribution, refuelling, supply optimisation and trading. For petrochemicals, we will continue to deepen our market position in China and increase supply contracts, such that this business segment is able to sustain profitability. We will also continue to develop the gas oil business by expanding physical and paper trading volumes.

Asset Investments

Investing in assets that are synergetic to our trading activities is essential to achieving our objective of strengthening the Group's trading capability. Investing in assets that generate good returns is also an effective way to diversify the income streams of the Group. A key component of the Group's operating strategy for 2013 is to invest or acquire synergetic assets, with focus on assets that will enable the Group to have access to the end user markets, optimise logistics or have access to resources, so as to build up an integrated value chain.

Strategic Business Network

We aim to complete the first stage of the integration of the Group's global business operations in 2013 that spans Asia Pacific, North America and Europe. We will focus on establishing a subsidiary in Europe and its integration with CAO Singapore, CAOHK and NAFCO.

As the core entity of CNAF's overseas business, we will proactively expand our scale of business outside China in line with CNAF's emphasis on growing its overseas business. We will continue to strengthen our strategic collaboration with BP. Besides the existing trading collaboration, we will continue to proactively explore opportunities to cooperate in new markets. We will also actively build up strategic partnerships with airline companies, shipping companies and other industry players and seek new business opportunities.

Enhancing Soft Skills

We will continue to uphold high standards of corporate governance, as well as enhance our risk management system to strengthen the Group's ability to mitigate risks. We will strive to cultivate a best-in-class corporate culture that is underpinned by our core values of "fairness, integrity, innovation and transparency" and strong cohesiveness among our people. We will continue to enhance our social and corporate standing by proactively playing our part as a responsible corporate citizen.

FORGING AHEAD

2013 is the year where we will forge ahead to strive to achieve our targets set under the 2014 Corporate Strategy. We will strengthen our integrated competitive edge by consolidating existing advantages and building up new competitive strengths that will enable the Group to adapt to the changing market dynamics. Despite the challenges ahead, I believe that as long as we work together as a team and stay the course, we can ride through the rough market conditions and progress towards our 2014 targets.

ACKNOWLEDGEMENTS

On behalf of the company, I would like to express my gratitude to our shareholders for their long-standing support, especially to CNAF for its unstinting support of CAO's strategy and for consolidating its overseas businesses under CAO. I wish to thank BP for its assistance to CAO in the areas of trading and risk control. To all our shareholders, thank you for your understanding and support. You have motivated us to continuously strive to scale greater heights.

I wish to thank our sister company, China National Aviation Fuel Corporation Ltd, our suppliers, counterparties, ship owners and other business partners for their support. I look forward to deepening our cooperation for mutual benefit.

My appreciation also goes to our associated companies – SPIA, TSN-PEKCL, Xinyuan and OKYC. The growth of our associated companies is instrumental to the development of CAO.

I would like to thank all the employees of the Group. CAO would not have been able to achieve such strong performance without their hard work and dedication.

Lastly, my appreciation goes to all other stakeholders for their support of CAO. I look forward to their continued support towards the development of CAO going forward.

Meng Fanqiu

Chief Executive Officer/Executive Director

CEO's Review and Outlook 首席执行官业绩回顾与展望

以静制动 厚积薄发

各位股东：

2012年，世界经济持续低迷，油品市场动荡不定。面对复杂的经营环境，公司管理层紧紧依靠全体员工，在董事会的领导下，努力克服不利的外部因素，“以静制动”，坚定不移的实施既定发展战略，“厚积薄发”，收购资产，引进人才，整章建制。一年来，经过上下共同努力，不仅圆满完成了年初制定的各项目标，实现了经营业绩持续增长，业务量和净利润连续第四年创历史新高，而且制定完成了2020年战略规划，为公司下一阶段的发展描绘了宏伟蓝图。

2012年概述

截至2012年12月31日的财年(“2012财年”)，公司油品贸易总量累计达到1480万吨，同比增长62.0%，其中，航油业务量跨越1000万吨。业务量的增长推动公司销售收入强劲增长64.3%至148亿美元，首次超过100亿美元。2012财年实现毛利4280万美元，同比增长7.0%；净利润为6620万美元，同比增长4.4%。

公司财务状况稳定。总资产增加38.2%至17亿美元，净资产增加14.6%至4.6亿美元，带息负债率仅占净资产的0.4%。公司通过银团贷款开拓了另一个融资渠道，截至2012年12月31日的现金总额为8110万美元，信用与贸易融资额度总额约25亿美元，为公司拓展业务提供了强有力的支持。

保持高标准的公司治理。自2010年以来连续第三年获得新加坡证券投资者协会颁发的年度“最透明企业奖”，在资本市场信誉和影响力显著提升。CAO在2013年度新加坡国际100强企业名列第5，比2011年排名提升了4位。

以静制动 把握机遇

2012年，公司积极把握市场机遇，克服市场不利因素，航油供应与贸易核心业务继续保持增长，航空市场营销业务发展快速，化工品业务取得历史性的突破，公司在海外业务整合方面取得了实质性进展。

航油

2012年上半年，由于欧元区债务危机，疲弱的美国经济和紧张的政治局势，抑制了需求上涨，导致航油价格下跌。而下半年，由于欧美一些主要炼厂遭到计划外关闭而引起跨区域的套利活动，市场陷入现货溢价结构。

自从2011年7月1日得到欧盟4.6%的进口税豁免权后，2012年，韩国超过卡塔尔成为排名第五的欧洲海外航油供应商。由亚洲销往欧洲的船货量大大增加，导致可供贸易的船货量减少，区域内的贸易机会也相应减少。

在充满挑战的市场环境下，公司发挥航油供应与贸易的结构性优势，圆满完成全年中国进口航油供应保障业务，无安全质量事故。供应保障能力持续增强，客户关系日益稳定，进口主体地位得到进一步巩固。除了中国主要国际机场之外，公司在中国也向深圳、重庆、成都、杭州等7个城市的国际机场进口航油。2012年，CAO销往中国的航油进口量增加8%，为优化贸易业务提供了有力的支持。

2012年，尽管亚太区的航油贸易机会有限，公司仍不断拓展亚太、欧洲和北美的航油供应网络，积极参与普氏窗口贸易，航油市场影响力明显提升，市场领先者地位逐步显现。

2012年，CAO大大强化了航空市场营销业务。CAO借助与中国主要航空公司的战略合作关系，积极拓展海外航空公司供油业务。2012年，海外市场供油累计75万吨，2011年仅为2万吨。共计向中国境外的20多个机场供应航油，同比增加300%。

航空市场营销业务量激增、航油贸易量持续增长，推动2012年全年的航油供应与贸易总量增长25.8%至1050万吨。由于亚太区航油供应市场偏紧，采购成本上升，加上2012年第三季度台风频密，公司花费了更高的船运和采购成本来保障对中国的航油供应，影响了航油业务2012年的毛利率，但2012年全年航油业务毛利仍保持增长。



Discharging jet fuel from vessel at port
港口卸油



OKYC tank farm in Yeosu, Korea
OKYC在韩国丽水的储罐

柴油

作为公司相关多元化的战略之一，CAO在2012年1月建立了柴油账户。

2012年初，在全球经济尚未复苏的大环境下，柴油市场基础疲弱。区域内几次的炼厂计划外检修以及突发的供应中断造成柴油价格急剧上涨，柴油市场结构被迫转为现货溢价。现货溢价市场结构和高储罐费使得全年的柴油贸易环境艰难。

2012年是柴油贸易账户开始的第一年，初步建立了实货贸易平台，并树立了市场形象。货物主要出口到印尼、新加坡、越南、菲律宾等地。柴油账户也积极参与了包括新加坡场外掉期、ICE期货、东西方价差等纸货贸易。

燃料油

总体上2012年是燃料油业务非常艰难的一年。年初以强势开始，然后迅速下跌，之后整年都处于低迷状态。在面对全球经济放缓，中国需求疲弱，日本核电厂关闭后燃料油需求比预期低得多以及国际航运船用燃料油消耗降低的情况下，燃料油的整体需求受到严重打击。因此出现了流动性问题，有些加油公司关闭，贸易公司出现亏损以及贸易员被解雇。

尽管2012年经营环境严峻，通过审慎的贸易策略，我们仍保持并增强了在燃料油市场的地位。根据公司打造一体化供应链的战略，我们致力于进一步拓展在2010年建立的燃料油业务规模和范围。我们继续与主要石油公司、贸易商及终端用户维持并创建新的有效合作，开展新的贸易活动，2012年实货贸易量几乎翻一番。

化工品

芳烃市场在平价和产品利润(即裂解差价)两方面都呈现出很强的上升趋势，并在2012年底达到历史最高价格。中国和东南亚地区的强劲需求以及区域内几家化工生产厂家的关闭，让市场变得很活跃。

2012年，以中国市场为重点，化工品贸易结构性优势初步建立，取得了历来最好的经营业绩。全年业务量210万吨，同比增长473.7%，其中实货量80万吨。CAO已成为中国最重要的芳烃类化工品进口商。全年贸易利润创历史新高，同比增长1162.2%。

目前，化工品贸易的主要实货交易品种有对二甲苯、纯苯、甲苯、混合二甲苯。主要装货地点包括韩国、日本、台湾、泰国、科威特、阿曼、印度、美国、俄国、土耳其和欧洲，供货给我们的长期和现货客户。

CAO的化工品业务已建立了一个可持续的营业模式、审慎的风险管理框架及良好的业绩。中国市场和客户对成功实施我们的贸易策略变得越来越重要。因此，我们将继续投入资源，深化与中国的客户关系。同时，逐步开拓包括美国在内的其他重要的化工品市场。

实业投资和业务发展

2012年，CAO完成了中国航油(香港)有限公司(“香港公司”)和北美航油有限公司(“北美公司”)两家全资子公司的收购，完成设立欧洲子公司的可行性研究，并将在2013年实施。全球业务网络架构已经初步形成。

完成了韩国丽水东北亚枢纽油库项目(“OKYC”)的交割工作。OKYC的油库将于2013年第二季度投产，这项投资强化了公司的实业基础。同时，在新加坡租赁了新的储罐，加之原有租赁的韩国和中国储罐，CAO亚太储罐布局日益完善。

联营公司

上海浦东国际机场航空油料有限责任公司 (“浦东航油”)

2012年，中国的国际航空客运量稳健增长，带动浦东航油的国际客运航班加油量同步增加，然而国际货运航班减少，影响了浦东航油全年加油量的整体增幅。油价在2012年第二季度下降造成收入减少，但销售成本下降速度较慢，对浦东的毛利率造成了一定的影响。

尽管如此，浦东航油2012年依然创造了不俗的经营业绩，加油量增加1.6%，达到310万吨，并账利润略增0.7%至3820万美元。浦东航油仍是公司主要的利润来源之一，占2012年净利润的约58%(2011年:60%)。

中国航油集团津京管道运输有限公司(“管输公司”)

2012年，管输公司的业务量也创历史新高。在北京首都国际机场吞吐量增长的带动下，管输公司航油输送量同比增长5.8%，达到260万吨。业务量增长、管输服务费提高，加上成本费用得到有效控制，管输公司2012年全年并账利润总额达180万美元，比2011年大幅增长52%。

中国航油集团新源石化有限公司(“新源公司”)

2012年，新源公司主要的仓储业务保持稳定，但国际油价剧烈波动影响了贸易业务，导致净利润增长乏力，但依然保持连续5年盈利，2012年全年并账利润为60万美元。

韩国丽水枢纽油库

OKYC预期在2013年第二季度投产，公司将获得在韩国的中馏分储罐使用权。CAO在这一地点有自己的中馏分油库将加强CAO对中国航油供应的保障能力，同时有利于拓宽向其他市场供应航油、柴油业务，从而获得更多的优化贸易机会，并能够有效支持到北美地区的套利贸易，使CAO能从投资中获取额外贸易价值。

CEO's Review and Outlook

首席执行官业绩回顾与展望

厚积薄发 谋划未来

2012年，公司引进了贸易、运作等方面人才15名，共获得近25亿美元的银行信用额度，包括1.45亿美元的银团贷款。实现投资总额约4500万美元。这些为下一步发展积累了资源，打下了基础，创造了条件。

“无远虑、必近忧”。管理层在全力向实现2014年战略目标挺进的过程中，并没有局限于当期的发展，而是放眼未来，开始谋划公司下一阶段、更长远的发展方向。2012年公司管理层带领全体员工，深入分析公司未来发展的内外环境，综合考虑股东、董事、员工各方建议，在2010年—2014年战略规划的基础上，在2012年编制完成了2020年战略规划。

根据2020年战略规划，CAO将立志“成为富有创新精神的全球一流运输燃料一体化方案提供商”。

CAO的2010—2014年战略的重点是亚太市场，而2020战略将放眼全球——要打造全球性的供应与贸易网络。到2020年，CAO将本着“依托中国、立足亚太、面向全球”的理念，以现有航油业务优势为基础，巩固和壮大核心业务，着重于运输燃料的业务拓展，明确未来清洁能源为新业务领域，通过实业投资打造一体化供应链，并建立全球供应与贸易网络。

2020年，公司要全力实现“成为全球领先的航油国际供应与贸易商和全球知名的其他油品国际供应与贸易商、重要的国际机场供油服务商以及具有独特优势的未来清洁能源的市场参与者”的第二阶段的战略目标，力争在业务量、收入和净利润指标上保持两位数的年度增长率，利润将在2012年的基础上翻一番，取得跨越式、非自然增长。

心怀感恩 回馈社会

作为负责任的企业公民，CAO本着对社会负责的态度持续回馈社会。我们的企业社会责任活动着重于新加坡的新移民、儿童和环保三个方面。

2012年，CAO首次与“图书馆计划”组织联手为中国偏远地区的儿童捐赠图书。“图书馆计划”是一个非政府性质的慈善组织，主要致力于帮助中国偏远地区经费不足的小学建立图书馆和图书角。CAO也通过赞助和参加新加坡环保赛车G1等一系列环保活动，积极倡导环保概念。

欲善其事 先利其器

在美国经济还未明显复苏、欧债危机尚未有解决方案的情况下，以中国为代表的新兴经济体又面临着增长放缓的局面，使得2013年世界经济更加充满不确定性。加之愈加复杂的国际政治环境将使国际油品市场动荡不定，油价将继续在高位波动，贸易市场的竞争也日益激烈。

根据FACTS的预测，亚太地区航油需求的增长率在2013年至2015年期间预计将达到平均每年3.6%的水平。亚太地区的柴油需求预计在2013年至2015年期间平均每年增长3.0%。2020年之后，由于中国和印度需求的日趋成熟，亚太地区总体需求也将大幅放缓。中国大陆仍将会是亚洲，乃至全球最大的对二甲苯进口国；韩国、新加坡、泰国和其他东南亚国家的新增产能则主要出口到中国。2013年，随着日本需求的减弱，预计燃料油需求可能再次出现下降，但2015年之后燃料油市场将在船用油需求增长的驱动下重新回归正增长。

“欲善其事，先利其器”。2013年，管理层将重点提升自身竞争能力，来积极应对复杂多变的宏观经济环境，顺应油品市场格局的变化。公司将以2020年战略目标为导向，继续以构建全球化业务网络为目标，以投资并购贸易协同性资产为依托，以打造多元化综合性贸易能力为重点，持续巩固并拓展现有航油核心业务，大力创建其他油品贸易优势，进一步夯实实业基础，提升自身软实力。

2013年具体经营策略包括：

航油供应与贸易

以拓宽供应渠道为重点，进一步提升供应保障能力，巩固CAO在航油采购方面的独特竞争优势。

以加大纸货贸易、加大普氏交易以及推进东西方套利业务为重点，进一步提升CAO航油业务的综合贸易能力；要积极开拓新的航油供应区域，创造更多的贸易优化机会。

继续加强与中国航空公司的战略合作关系，扩大CAO海外航空营销的市场份额，提升自身海外航空市场营销和运作能力。

其他油品贸易

继续以建立结构性优势为重点，提升其他油品贸易业务的盈利能力。以“巩固新加坡业务、拓展中东业务、连接中国业务”，实现采购、储存、混调、销售、加注以及贸易优化一体化运作，全面构建起燃料油业务平台；继续依托中国市场，增加长期合同量，使化工品业务形成相对稳定的盈利模式；拓展现货市场，以现货带动纸货业务，实现柴油业务的有效发展。

实业投资

投资与贸易协同的资产，是提升公司贸易能力的必备手段。投资回报好的资产和项目，是实现收入多元化的有效途径。2013年实业投资以及兼并收购活动将是公司的最重要的经营策略之一。实业投资着重于能够为公司创造供应需求、优化物流和控制资源的资产，以打造一体化的价值链。

战略布局

以成立欧洲子公司为核心，香港公司、北美公司业务整合为辅助，进一步构建起覆盖亚太、北美和欧洲全球化业务网络，初步实现全球化一体运作，提升公司全球化运作的能力。

充分发挥CNAF海外业务的核心作用，顺应CNAF的海外业务发展，大力进行中国海外业务拓展。继续巩固和加强与BP的战略合作。在保持贸易合作的同时，积极探索开拓新市场的业务合作机会。同时，积极建立与航空公司、航运公司等商业伙伴的战略协作关系，寻求新的项目。提升我们的战略执行能力。

提升公司软实力

继续保持高标准的公司治理结构，提升风险管理系统，增强公司抵御风险的能力。始终秉持“公平、诚信、创新、透明”的企业核心价值观，打造先进的企业文化，以此来提升团队的凝聚力，在业界树立良好的企业形象。继续积极履行企业的社会责任，树立良好的社会形象。

顺势而发 攻坚克难

2013年，是我们实现2014年战略规划的攻坚年。尽管困难重重，但我相信，只要携手同心，坚守目标，主动适应市场的变化趋势，通过打造企业自身的综合竞争能力，巩固和壮大现有优势，不断建立新优势，就一定能够克服诸多不利因素，乘风破浪，继续向2014年的战略目标胜利航行。

致谢

在此，我谨代表公司向股东长期以来的支持表示感谢。要特别感谢母公司CNAF在战略上和在海外业务整合方面所给予CAO的大力支持。感谢BP在贸易和风险控制方面给予CAO的帮助。最后，感谢全体股民的理解和鼎力支持，激励我们为公司发展不遗余力、坚持不懈。

感谢中国航空油料有限责任公司、供应商、贸易商以及船东等商业伙伴的支持。在不断加深合作的基础上，希望双方继续互利共赢。

感谢浦东航油、管输公司、新源公司和OKYC，联营公司的发展对于CAO的发展极为重要。

感谢CAO全体员工，他们的辛勤工作铸就了公司今天所取得的成绩。

最后，感谢所有关心和支持CAO的各界朋友，也希望你们能够继续支持CAO的成长与发展。

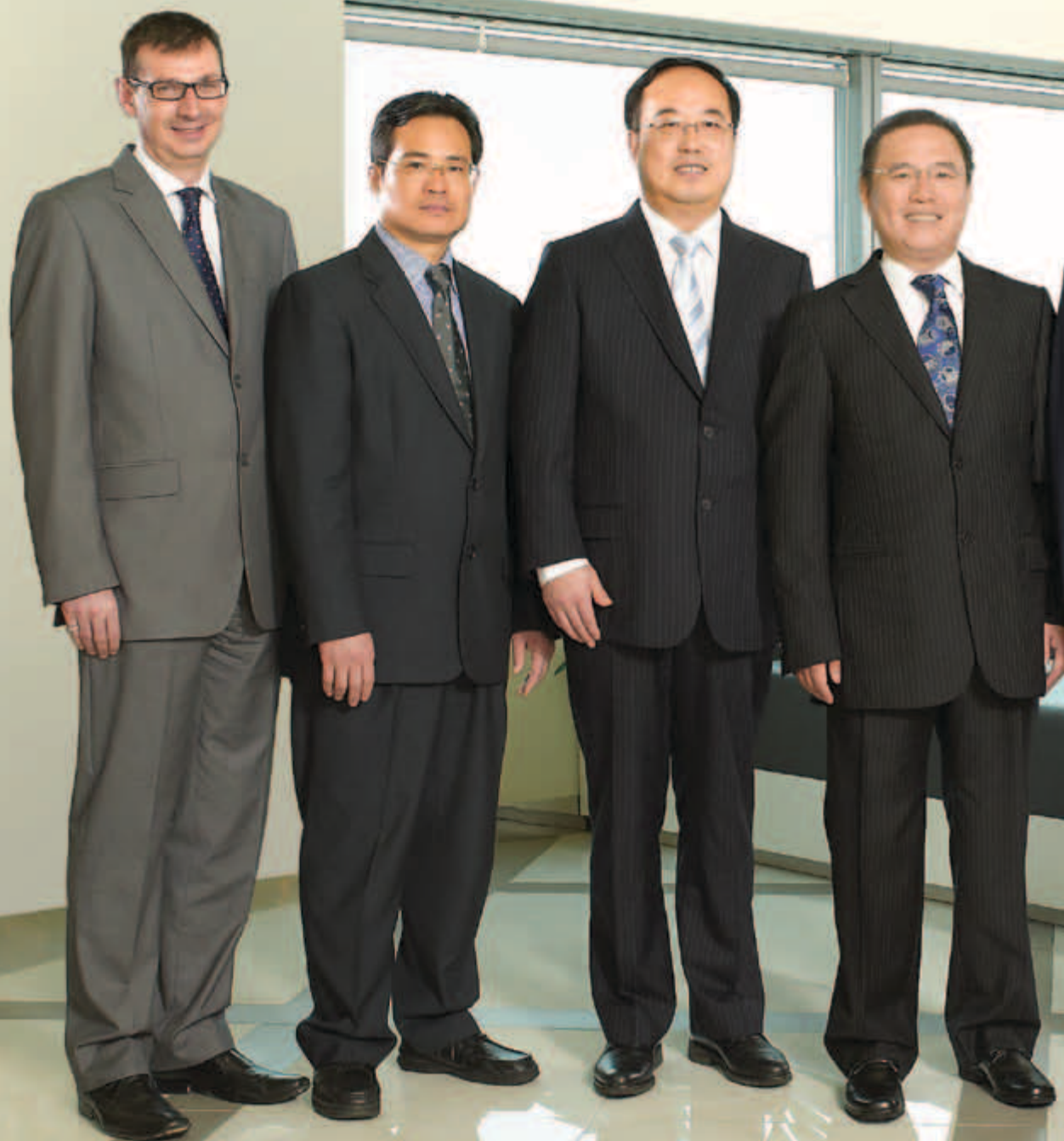
孟繁秋

首席执行官兼执行董事



Into-plane refuelling operations at Pudong Airport
浦东机场上机加注

Board of Directors
董事会



From left to right 左到右：
Alan Haywood, Luo Qun 罗群, Zhao Shousen 赵寿森, Meng Fanqiu 孟繁秋



From left to right 左到右:

Sun Li 孙立, Wang Kai Yuen 王家園, Liu Fuchun 刘福春, Ang Swee Tian 汪瑞典, Chen Liming 陈黎明

Board of Directors

董事会

SUN LI

Non-Executive Chairman

Date of first appointment as a director: 30 April 2007

Date of last re-election as a director: 26 April 2012

Age: 60 years

Mr Sun Li is the Chairman of China National Aviation Fuel Group Corporation ("CNAF"). Prior to the establishment of the Board of CNAF in 2011, Mr Sun was the President of CNAF since February 2007. Mr Sun 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 also currently the Chairman of CNAF Corporation Limited.

He graduated from Tsinghua University, where he majored in polymer chemical engineering. Mr Sun holds a Postgraduate Diploma with the qualification title of Senior Engineer (professor level) and he is entitled to receive 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. 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.

Present directorships of Mr Sun as at 31 December 2012 are as follows: China National Aviation Fuel Group Corporation (Chairman), China National Aviation Fuel Corporation Ltd (Chairman).

Mr Sun does not hold any past directorships in other listed companies in the preceding 3-year period (i.e. 1 January 2010 to 31 December 2012).

孙立

非执行董事长

首次当选董事日期: 2007年4月30日

上次董事轮选日期: 2012年4月26日

年龄: 60岁

孙立先生是中国航空油料集团公司(简称"CNAF")的董事长。在CNAF于2011年正式成立董事会之前,孙先生从2007年2月起出任CNAF总经理。从2005年11月到2007年1月,任CNAF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月他到辽阳石化化纤公司工作。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工系高分子化工专业;研究生学历,教授级高级工程师资格,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学习。孙先生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"航油风云人物奖"。

现任董事席位(截至2012年12月31日):中国航空油料集团公司(董事长),中国航空油料有限责任公司(董事长)

过去三年曾任上市公司董事席位(2010年1月1日至2012年12月31日):无

WANG KAI YUEN

Deputy Chairman / Lead Independent Director

Chairman of the Remuneration Committee

Member of the Audit Committee

Member of the Nominating Committee

Date of first appointment as a director: 28 April 2008

Date of last re-election as a director: 28 April 2011

Age: 65 years

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 of Engineering (First Class Honours) in Electrical and Electronics. He also holds a Master of Science in Electrical Engineering, Masters of Science in Industrial Engineering and a PhD in Engineering from Stanford University, USA. He received a Friend of Labour Award in 1988 for his contributions to the Singapore labour movement.

Present directorships of Dr Wang as at 31 December 2012 are as follows: A-Sonic Aerospace Ltd* (Director), ComfortDelGro Corporation Ltd* (Director), Cosco Corporation Singapore Ltd* (Director), EOC Ltd* (Director), Ezion Holdings Ltd* (Director), Hiap Hoe Ltd* (Director), HLH Group Ltd* (Chairman), Matex International Ltd* (Director), Superbowl Holdings Ltd* (Director), Xpress Holdings Ltd* (Chairman), Waan Holdings Pte Ltd (Director), Great Source Pte Ltd (Director).

His past directorships in other listed companies over the preceding 3-year period (i.e. from 1 January 2010 to 31 December 2012) are as follows: China Lifestyle Food and Beverages Group Ltd (Director) and Asia Micro Holdings Ltd (Chairman).

王家園

副董事长 / 首席独立董事

薪酬委员会主席

审计委员会成员

提名委员会成员

首次当选董事日期: 2008年4月28日

上次董事轮选日期: 2011年4月28日

年龄: 65岁

王家園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, 拥有工程一级荣誉学位(电器与电机工程)。他也拥有美国斯坦福大学电机工程硕士学位、工业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。

现任董事席位 (截至2012年12月31日): A-Sonic Aerospace Ltd* (董事), ComfortDelGro Corporation Ltd* (董事), Cosco Corporation Singapore Ltd* (董事), EOC Ltd* (董事), Ezion Holdings Ltd* (董事), Hiap Hoe Ltd* (董事), HLH Group Ltd* (董事长), Matex International Ltd* (董事), Superbowl Holdings Ltd* (董事), Xpress Holdings Ltd* (董事长), Waan Holdings Pte Ltd (董事), Great Source Pte Ltd (董事)

过去三年曾任上市公司董事席位(2010年1月1日至2012年12月31日): China Lifestyle Food and Beverages Group Ltd (董事), 以及 Asia Micro Holdings Ltd (董事长), Newspace Fund Ltd (董事)

MENG FANQIU

Chief Executive Officer / Executive Director

Date of first appointment as a director: 28 March 2006

Date of last re-election as a director: 23 April 2010

Age: 44 years

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 holds an Asia Pacific Executive Master of Business Administration from the National University of Singapore. He is also a qualified legal attorney and is a qualified corporate legal adviser in the PRC. He attended seminars on Singapore's regulatory environment conducted by the Singapore Exchange, Singapore Institute of Directors and Rajah & Tann LLP.

Present directorships of Mr Meng as at 31 December 2012 are as follows: China Aviation Oil (Hong Kong) Company Limited# (Chairman), North American Fuel Corporation# (Chairman), Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd# (Deputy Chairman), China Aviation Oil Xinyuan Petrochemicals Co. Ltd# (Deputy Chairman), China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Limited# (Director), Oilhub Korea Yeosu Co., Ltd# (Director).

Mr Meng does not hold any past directorships in other listed companies in the preceding 3-year period (i.e. 1 January 2010 to 31 December 2012).

* Public-listed company 上市公司

Subsidiary or associated company of CAO CAO子公司或联营公司

Board of Directors

董事会

孟繁秋

首席执行官兼执行董事

首次当选董事日期：2006年3月28日

上次董事轮选日期：2010年4月23日

年龄：44岁

孟繁秋先生在担任目前职位之前，从2007年12月至2008年5月，任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CAO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年任职于中国民用航空总局，在法律与企业改革方面拥有广泛的工作经验。他直接参与了《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。他曾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。他曾被评定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，并获得中国人民大学民商法硕士学位。他拥有新加坡国立大学商学院亚太高层企业主管硕士学位。他还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。

现任董事席位(截至2012年12月31日)：中国航油(香港)股份有限公司[#](董事长)，北美航油有限公司[#](董事长)，上海浦东国际机场航空油料有限责任公司[#](副董事长)，中国航油集团新源石化有限公司[#](副董事长)，中国航油集团京津管道运输有限责任公司[#](董事)，韩国丽水枢纽油库有限公司[#](董事)

过去三年曾任上市公司董事席位(2010年1月1日至2012年12月31日)：无

ZHAO SHOUSEN

Non-Executive, Non-Independent Director

Vice Chairman of the Audit Committee

Member of the Risk Management Committee

Date of first appointment as a director: 28 March 2006

Date of last re-election as a director: 23 April 2010

Age: 49 years

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.

Present directorships of Mr Zhao as at 31 December 2012 are as follows: China National Aviation Fuel Supply Co., Ltd (Director), China National Aviation Fuel Group Finance Company Ltd (Chairman).

Mr Zhao does not hold any past directorships in other listed companies in the preceding 3-year period (i.e. 1 January 2010 to 31 December 2012).

赵寿森

非执行、非独立董事

审计委员会副主席

风险管理委员会成员

首次当选董事日期：2006年3月28日

上次董事轮选日期：2010年4月23日

年龄：49岁

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。

现任董事席位(截至2012年12月31日)：中国航空油料有限责任公司(董事)，中国航油集团财务有限公司(董事长)

过去三年曾任上市公司董事席位(2010年1月1日至2012年12月31日)：无

LIU FUCHUN

Independent Director

Chairman of the Nominating Committee

Member of the Audit Committee

Member of the Remuneration Committee

Date of first appointment as a director: 28 March 2006

Date of last re-election as a director: 28 April 2011

Age: 66 years

Mr Liu Fuchun holds directorship positions in several companies. He is also an independent director of CNAF. Mr Liu 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

[#] Subsidiary or associated company of CAO CAO的子公司或联营企业

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.

Present directorships of Mr Liu as at 31 December 2012 are as follows: DaChan Food Asia Limited* (Director), China National Aviation Fuel Group Corporation (Director), China National Coal Group Corp (Director), China Mengniu Dairy Company Limited* (Director), Surbana Fund Management Pte Ltd (Director).

Mr Liu does not hold any past directorships in other listed companies in the preceding 3-year period (i.e. 1 January 2010 to 31 December 2012).

刘福春

独立董事

提名委员会主席

审计委员会成员

薪酬委员会成员

首次当选董事日期: 2006年3月28日

上次董事轮选日期: 2011年4月28日

年龄: 66岁

刘福春先生在数家公司担任董事职务。他也是中国航空油料集团公司的独立董事。刘先生自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。

现任董事席位 (截至2012年12月31日): 大成食品亚洲有限公司* (董事), 中国航空油料集团公司 (董事), 中国中煤能源集团有限公司 (董事), 中国蒙牛乳业有限公司* (董事), Surbana Fund Management Pte Ltd (董事)

过去三年曾任上市公司董事席位(2010年1月1日至2012年12月31日): 无

ALAN HAYWOOD

Non-Executive, Non-Independent Director

Chairman of the Risk Management Committee

Member of the Audit Committee

Date of first appointment as a director: 24 February 2011

Date of last re-election as a director: 28 April 2011

Age: 46 years

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.

Present directorships of Mr Haywood as at 31 December 2012 are as follows: International Swaps and Derivatives Association (Director), BP Oil International Limited^ (Director), Britannic Trading Limited^ (Director), BP Gas Marketing Limited^ (Director), Britannic Energy Trading Limited^ (Director), Pearl River Delta Investments Limited^ (Director), Guangdong Investments Limited^ (Director), BP Investments Asia Limited^ (Director), Britannic Investments Iraq Limited^ (Director), Britannic Strategies Limited^ (Director).

Mr Haywood does not hold any past directorships in other listed companies in the preceding 3-year period (i.e. 1 January 2010 to 31 December 2012).

ALAN HAYWOOD

非执行、非独立董事

风险管理委员会主席

审计委员会成员

首次当选董事日期: 2011年2月24日

上次董事轮选日期: 2011年4月28日

年龄: 46岁

Alan Haywood先生于2010年12月出任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。

* Public-listed company 上市公司

^ Wholly owned subsidiary of BP BP全资子公司

Board of Directors

董事会

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能源与财务的区域业务负责人。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先生拥有牛津大学莫顿学院的文学学士学位。

现任董事席位(截至2012年12月31日): 国际掉期交易协会(董事), BP Oil International Limited[^](董事), Britannic Trading Limited[^](董事), BP Gas Marketing Limited[^](董事), Britannic Energy Trading Limited[^](董事), Pearl River Delta Investments Limited[^](董事), Guangdong Investments Limited[^](董事), BP Investments Asia Limited[^](董事), Britannic Investments Iraq Limited[^](董事), Britannic Strategies Limited[^](董事)

过去三年曾任上市公司董事席位(2010年1月1日至2012年12月31日): 无

CHEN LIMING

Non-Executive, Non-Independent Director
Member of the Remuneration Committee
Member of the Nominating Committee

Date of first appointment as a director: 5 August 2009

Date of last re-election as a director: 26 April 2012

Age: 53 years

Mr Chen Liming is the President of BP China since November 2008 and 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 petrochemicals 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 at 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.

Present directorship of Mr Chen as at 31 December 2012 is as follows: BP China Holdings Limited (Chairman).

Mr Chen does not hold any past directorships in other listed companies in the preceding 3-year period (i.e. 1 January 2010 to 31 December 2012).

陈黎明

非执行、非独立董事

薪酬委员会成员

提名委员会成员

首次当选董事日期: 2009年8月5日

上次董事轮选日期: 2012年4月26日

年龄: 53岁

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之前, 陈先生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, 曾先后在外商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、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。他也曾出任多家化学及贸易公司的执行董事或非执行董事。

1991年至1994年, 陈先生曾作为高级研究员就职于新加坡标准与工业研究院, 负责科研与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, 陈先生曾在中国一所研究院从事科研工作。

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

现任董事席位(截至2012年12月31日):

BP China Holdings Limited(董事长)

过去三年曾任上市公司董事席位(2010年1月1日至2012年12月31日): 无

ANG SWEE TIAN

Independent Director

Chairman of the Audit Committee

Member of the Nominating Committee

Member of the Remuneration Committee

Member of the Risk Management Committee

Date of first appointment as a director: 14 November 2008

Date of last re-election as a director: 28 April 2011

Age: 64 years

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

[^] Wholly owned subsidiary of BP BP全资子公司

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.

Present directorships of Mr Ang as at 31 December 2012 are as follows: Cosco Corporation Singapore Ltd* (Director), Singapore Mercantile Exchange Pte Ltd (Chairman).

Mr Ang does not hold any past directorships in other listed companies in the preceding 3-year period (i.e. 1 January 2010 to 31 December 2012).

汪瑞典

独立董事

审计委员会主席

提名委员会成员

薪酬委员会成员

风险管理委员会成员

首次当选董事日期: 2008年11月14日

上次董事轮选日期: 2011年4月28日

年龄: 64岁

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)有限公司的独立董事。

汪先生于1999年至2005年担任新加坡交易所(简称“新交所”)总裁。在这期间,新交所成为中国企业挂牌和筹资的首选市场,他在该过程中发挥了积极作用。汪先生在建立亚洲第一个金融期货交易中心——1984年成立的新加坡国际金融交易所(SIMEX)这一项目中,发挥了关键作用;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)过程中也做出了杰出贡献。在2006年1月退休后至2007年12月,汪先生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(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。

现任董事席位(截至2012年12月31日):新加坡商品交易所(董事长),中远投资新加坡有限公司*(董事)

过去三年曾任上市公司董事席位(2010年1月1日至2012年12月31日):无

* Public-listed company 上市公司

LUO QUN

Non-Executive, Non-Independent Director

Vice Chairman of the Remuneration Committee

Vice Chairman of the Nominating Committee

Date of first appointment as a director: 26 February 2010

Date of last re-election as a director: 23 April 2010

Age: 50 years

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 Co., Ltd (previously known as CNAF Hai Tian Transportation Co., Ltd) from October 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 senior management positions within the CNAF Group. He was the project leader of the construction of the new jet fuel supply facilities at Guangzhou Baiyun International Airport from 1999 to 2004. From 1997 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.

Mr Luo does not hold any other directorships as at 31 December 2012.

Mr Luo does not hold any past directorships in other listed companies in the preceding 3-year period (i.e. 1 January 2010 to 31 December 2012).

罗群

非执行、非独立董事

薪酬委员会副主席

提名委员会副主席

首次当选董事日期: 2010年2月26日

上次董事轮选日期: 2010年4月23日

年龄: 50岁

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10月至2008年8月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,他还兼任CNAF总经理助理。罗先生在CNAF担任过多个领导岗位,曾在1999年至2004年担任广州新白云国际机场迁建供油工程指挥部指挥长。1997年至2004年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)。

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

现任董事席位(截至2012年12月31日):无

过去三年曾任上市公司董事席位(2010年1月1日至2012年12月31日):无

Management 管理层



From left to right 左到右: Huang Shaoxiong 黄少雄 (President, North American Fuel Corporation 北美航油有限公司总经理), Guo Feng 郭峰 (Assistant to CEO 首席执行官助理), Tee Siew Kim 郑秀琴 (Head of Finance 财务部主管), Doreen Nah 蓝肖蝶 (Head of Legal / Company Secretary 法律部主管兼公司秘书), Choo Kee Leng 朱奇龄 (Head of Audit & Internal Control 审计与内控部主管), Chua Teng Hock 蔡丁福 (Operations Adviser 运作顾问), Meng Fanqiu 孟繁秋 (Chief Executive Officer / Executive Director 首席执行官/执行董事), Han Jing Xieng 韩靖娴 (Head of Business Development 业务发展部主管)

Key Management 管理层主要人员简介

MENG FANQIU

Chief Executive Officer / Executive Director

As the Chief Executive Officer (“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 business performance of the Group.

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。他也负责领导和指导各业务部门，使其达到预期目标，确保整体业务增长，并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 CEO to oversee the IT and risk management functions. He is also the Director of China Aviation Oil (Hong Kong) Company Limited.

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 Group. 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 Degree in Economics majoring in Accountancy from Changchun Taxation College, China.



Amy Liu 刘怡 (Executive Assistant to CEO 首席执行官执行助理), Wang Chunyan 王春焱 (Chief Financial Officer 财务总监), Leslie Lai 赖世沐 (Deputy Head of Aviation Marketing 航空市场营销部副主管), Owen Wong Yew Kee 黄耀基 (Head of Risk Management 风险管理部主管), Jean Teo 张娜娜 (Chief Operating Officer 首席运营官), Loh Woon Yen 罗文燕 (Head of Investor Relations 投资者关系部主管), Lily Choo 朱莉莉 (Head of HR & Admin 人力资源和行政部主管), Elizza Ding 丁鑫莉 (Head of Trading 贸易部主管), Wang Zhaopeng 王兆鹏 (Chief Executive Officer, China Aviation Oil (Hong Kong) Company Limited 中国航油(香港)有限公司总裁)

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和风险管理工。他也是中国航油(香港)股份有限公司的董事。

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。他曾历任胜利石油管理局财务部多个高级职位，并于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。

JEAN TEO LANG LANG Chief Operating Officer

As the Chief Operating Officer, Ms Jean Teo is responsible for the Trading, Aviation Marketing and Operations Departments. This involves the development and execution of trading growth strategies and performance targets for all trading businesses of CAO, which currently include jet fuel, gasoil, fuel oil and petrochemical products, and oversight of the Group's aviation marketing business. Her responsibilities also include assisting the CEO to identify investment projects or new businesses in line with CAO's growth strategy that can substantially benefit CAO. She is also a Director of North American Fuel Corporation.

Ms Teo has more than 10 years of experience in the oil trading industry. Prior to joining CAO, she was a senior trader of distillates products at Cargill International Pte Ltd. Ms Teo was an employee of BP Singapore Pte. Ltd ("BPS") from July 1997 to September 2010, where she was seconded to the position of Head of Trading of CAO from January 2008 to August 2010. Other positions that Ms Teo had held in BPS included the Lead Trader of Light Distillates.

Ms Teo holds a Master of Business Administration (Finance) from Manchester Business School, United Kingdom and a Bachelor of Engineering, Chemical (Honours) from National University of Singapore.

张娜娜 首席运营官

作为首席运营官，张娜娜女士负责监管贸易部、航空市场营销部和运作部，主要职责包括制定并组织实施CAO所有贸易业务(目前包括航油、柴油、燃料油和石化产品)的发展战略及业绩指标，以及监管集团航空市场营销业务。其职责还包括协助CEO寻找符合CAO战略并对CAO有实质效益的投资项目和新业务。她也是北美航油有限公司的董事。

张女士在石油贸易领域拥有超过10年的经验。在加入CAO之前，她是嘉吉国际私人有限公司中馏分产品的高级贸易员。加入嘉吉之前，张女士在1997年7月至2010年9月之间效力于BP新加坡私人有限公司(简称"BPS")，并于2008年1月至2010年8月期间外派至CAO担任贸易部主管。张女士在BPS还担任过轻馏分产品首席贸易员。

张女士拥有英国曼彻斯特商学院工商管理金融专业硕士学位、新加坡国立大学化学工程系(荣誉)学士学位。

敏

捷





[A G I L I T Y]

In the face of challenges, being nimble to seize market opportunities enables us to stay ahead of competition.

Financial Review

业绩分析

5-YEAR FINANCIAL SUMMARY 5年业绩概要

	2008	2009	2010	2011	2012
INCOME STATEMENT 损益表 (US\$'000)					
Revenue 营业额	5,370,244	3,634,324	5,452,639	9,011,978	14,807,984
Gross Profit 毛利	22,532	30,707	29,734	39,966	42,750
Associated Companies 联营公司	10,516	24,175	37,643	40,232	43,187
Net Profit Attributable to Equity Holders of the Company 可向股东分配净利润	38,345	45,199	54,709	63,401	66,189
BALANCE SHEET 资产负债表 (US\$'000)					
Total Assets 总资产	495,099	758,726	957,896	1,194,261	1,650,340
Total Equity 股东权益	275,700	309,735	345,231	401,335	459,933
Cash and Cash Equivalent 现金及现金等价物	153,102	182,192	57,988	88,065	81,144
FINANCIAL RATIOS 财务比率					
Diluted Earnings per Share (US cents) 稀释后的每股收益(美分)	5.30	6.25	7.61	8.83	9.23
Net Assets per Share (US cents) 每股净资产(美分)	38.14	42.91	48.07	55.99	64.16
Return on Equity 股本回报率*	14.1%	15.4%	16.7%	17.0%	15.4%
Return on Assets 资产回报率*	6.5%	7.2%	6.4%	5.9%	4.7%
Debt-Equity Ratio 股本带息负债率	0.0%	0.0%	8.8%	7.5%	0.4%

Earnings Analysis

Total supply and trading volume of the CAO Group increased 62.0% from FY 2011 to 14.8 million tonnes for FY 2012, attributable to: (i) 25.8% increase in volume of jet fuel supplied and traded to 10.5 million tonnes as a result of consolidation of contributions from wholly owned subsidiaries China Aviation Oil (Hong Kong) Company Ltd ("CAOHK") and North American Fuel Corporation ("NAFCO") since 1 March 2012; and (ii) 455.8% increase in volumes of other oil products traded to 4.3 million tonnes. Jet fuel supply and trading volume of CAO Singapore remained stable.

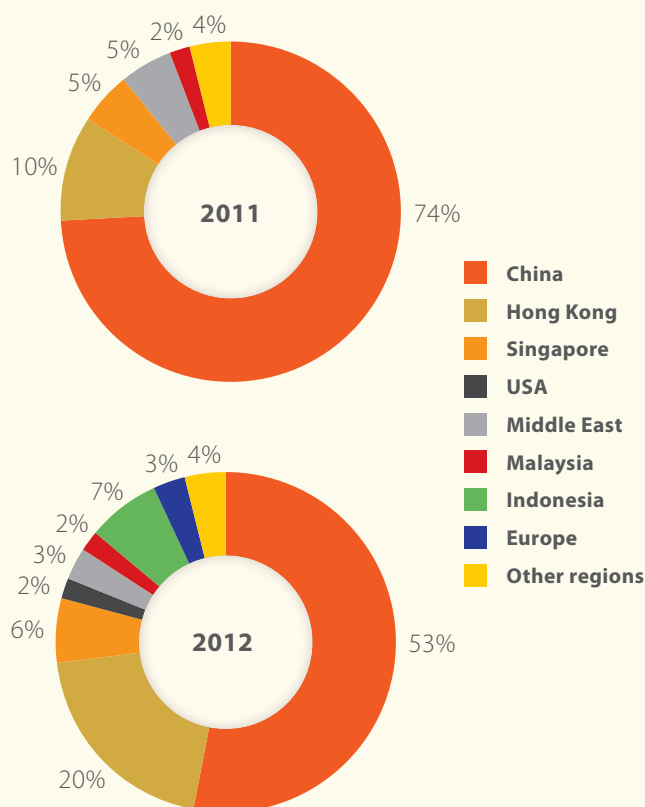
Group revenue increased 64.3% from FY 2011 to US\$14.8 billion for FY 2012. Of the increase in revenue: (i) US\$2.2 billion was due to higher sales volume of jet fuel; (ii) US\$3.4 billion was due to higher sales volume of other oil products; and (iii) approximately US\$0.2 billion was due to the increase in average prices of jet fuel and other oil products.

Revenue from supply and trading of jet fuel made up 71.2% of Group revenue. In line with the 455.8% increase in trading volumes of other oil products (i.e. gas oil, fuel oil and petrochemicals) over FY 2011, proportion of revenue from other oil products increased from 7.8% to 28.8%.

Geographically, China remains the largest market for the Group. While revenue from China market increased 19.1% from FY 2011 to US\$7.9 billion in FY 2012, its proportion of Group revenue fell from 73.8% to 53.5% as the Group proactively expanded jet fuel, gas oil and fuel oil supply and trading activities in other Asia Pacific markets and globally.

Gross profit for FY 2012, which is derived from jet fuel supply and trading and trading of other oil products, increased 7.0% from FY 2011 to US\$42.8 million. This was mainly due to higher gains from

GROUP REVENUE BY GEOGRAPHICAL LOCATION 总销售收入(按地点划分)



* Average shareholders' equity or average total assets used in calculations
计算时取股东权益或总资产的平均值

jet fuel and petrochemicals trading activities and the consolidation of contribution from CAOHK.

Other operating income decreased 63.8% to US\$0.8 million for FY 2012, mainly due lower foreign exchange gain of approximately US\$1.4 million to US\$0.6 million and a US\$0.1 million reduction in bank interest income to US\$0.2 million. The foreign exchange gain was derived from the conversion of dividends denominated in Renminbi received from associated companies to US Dollar and the revaluation difference from the Singapore Dollar against the US Dollar.

Total expenses increased 28.3% to US\$21.2 million, mainly attributable to higher staff costs in FY 2012 due to: (i) increase in staff strength mainly from the addition of headcounts from CAOHK and NAFCO; (ii) increase in finance cost for committed revolving credit facility and bank charges for the issuance of Letters of Credit in line with increased business activities.

Share of profits from associated companies was US\$43.2 million for FY 2012, an increase of 7.3%, mainly attributable to the share of results of US\$2.5 million from OKYC which resulted from the recognition of marked-to-market gain from its foreign currency swap contracts denominated in Korea Won against the US Dollar.

SPIA's profit contribution remained stable. The Group's share of profit in SPIA was US\$38.2 million for FY 2012 compared to US\$37.9 million for FY 2011, an increase of 0.8%. The impact of decrease in sales revenue due to lower oil prices in mid-2012 was mitigated by an increase of 2.6% in total refuelling volume to 3.2 million tonnes, effective cost control and lower finance costs.

Share of profit in TSN-PEKCL increased 52.1% to US\$1.8 million, attributable to higher revenue from increase in jet fuel transportation volume and pipeline transportation service fee. The share of profit in Xinyuan decreased 42.8% to US\$0.6 million for FY 2012 due to lower sales volume and lower rental income of oil storage tanks.

The Group's net profit for FY 2012 increased 4.4% to US\$66.2 million, mainly due to higher gross profit and higher share of profits from associates. Earnings per share was 9.23 US cents for FY 2012 compared to 8.83 US cents for FY 2011.

Assets

The Group's balance sheet remained robust. Total assets as at 31 December 2012 were US\$1.7 billion, which was an increase of US\$0.5 billion or 38.2% from US\$1.2 billion in FY 2011. The increase was mainly due: (i) higher trade and other receivables as a result of increased business activities and the inclusion of trade receivables from CAOHK and NAFCO; and (ii) the acquisition of a 26 per-cent equity stake in Oilhub Korea Yeosu Co., Ltd.

Liquidity and debt-paying ability of the Group remains healthy. As at 31 December 2012, the Group's cash balance was US\$81.1 million as compared to US\$88.1 million as at end 2011. Current ratio and quick ratio were at 1.17 and 1.15 as at 31 December 2012 respectively (2011: 1.23 and 1.18 respectively).

Borrowings

As at 31 December 2012, the Group's interest-bearing debts stood at US\$1.7 million (2011: US\$30.0 million). The Group's debt-equity ratio remained low at 0.4% as at 31 December 2012 (2011: 7.5%). The Group was in a net cash position of US\$79.5 million as at 31 December 2012, an improvement over to the net cash position of US\$58.1 million as at end 2011.

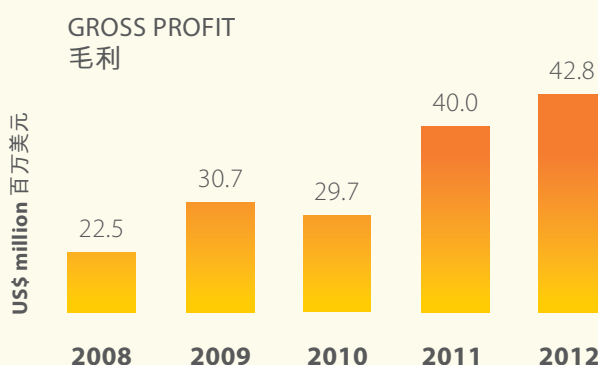
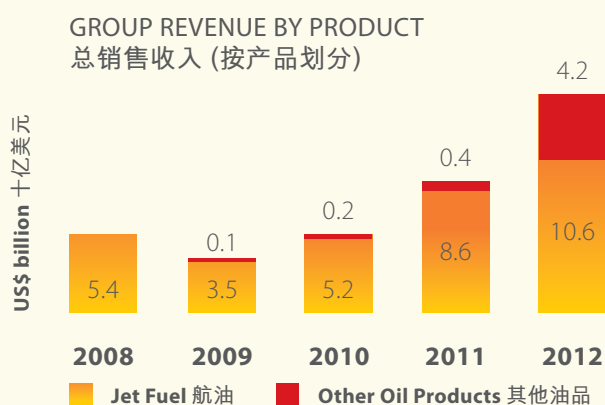
Net Assets

As at 31 December 2012, Group net assets stood at US\$459.9 million, or 64.16 US cents per share, compared to US\$401.3 million as at 31 December 2011 or 55.99 US cents per share. The increase was primarily due to higher retained earnings from undistributed net profit generated for FY 2012.

Sources of Funding

The Group strives to maintain a robust financial structure and actively monitors its overall liquidity position on an ongoing basis to support business needs. The main sources of the Group's cashflow are derived from supply and trading businesses and dividends received from associated companies.

Against a backdrop of volatile oil prices, the Group continues to maintain cash reserves of US\$81.1 million as at end 2012. The Group also tapped the syndicated loan market and obtained US\$145 million of committed revolving credit facility. Total credit and trade financing facilities from 15 banks amounted to US\$2.5 billion as at end 2012. The Group's financial position remains robust and is well-positioned for the next phase of growth.



Financial Review

业绩分析

盈利分析

2012年，CAO各种油品总销售量同比增加62.0%至1480万吨，主要是由于在CAO新加坡公司航油供应与贸易量保持稳定的基础上，自2012年3月1日并入全资子公司中国航油(香港)有限公司(“香港公司”)和北美航油有限公司(“北美公司”)，使航油供应贸易量增加25.8%至1050万吨，以及其他油品贸易总量增加455.8%至430万吨所致。

2012年总销售收入同比增加64.3%至148亿元，增长主要由以下因素驱动：(i)因航油销售量增加使销售收入增加22亿美元；(ii)其他油品销售量增加，使销售收入增加34亿美元；以及(iii)航油及其他油品平均价格增加，使销售收入增加约2亿美元。

航油供应与贸易收入占CAO总收入的71.2%。其他油品(柴油、燃料油和化工品)贸易量较2011年增长455.8%，其收入占总销售收入的比率已从2011年的7.8%上升至28.8%。

中国仍是CAO的最大市场。2012年，来自中国市场的收入同比增加19.1%至79亿美元，但随着集团积极在亚太其他市场及其他区域拓展航油、柴油和燃料油的供应与贸易业务，来自中国收入所占集团总收入的比例已从73.8%降至53.5%。

2012年公司从事航油供应与油品贸易获得的毛利为4280万美元，较上年同期增长7.0%。这主要是由于航油、化工品贸易活动收益增加以及并入了香港公司的毛利贡献所致。

2012年其他营业收入为80万美元，同比下降63.8%。主要是本年汇兑收益为60万元，比上年同期减少140万美元，以及银行利息收入比上年同期减少10万美元至20万美元。汇兑收益来自将联营公司派发的人民币股息转换为美元，以及从新元换算成美元的外汇折算差异。

2012年总费用为2120万美元，同比升高28.3%，主要是由于员工人数增加导致人工成本增加(2012年包括香港公司和北美公司)，因承诺性可循环使用信用额度承诺费导致财务成本升高，以及因业务活动增加导致信用证开证费用等银行手续费增加。

2012年联营公司的并账利润为4320万美元，同比增长7.3%，主要增长是由于OKYC公司因确认美元与韩元的外汇货币互换合同的盯市值收益而相应确认了投资收益250万美元。

2012年对浦东航油的投资收益为3820万美元，上年同期为3790万美元，同比增长0.8%。浦东航油全年航油加注量320万吨，同比增长2.6%，加之良好的费用控制，财务成本较低，使浦东航油摆脱了2012年年中油价下跌的影响，全年业绩保持稳定并略有增长。

2012年对天津管输的投资收益同比增加52.1%至180万美元，主要因为销售量增加和管输服务费提高所致。2012年对新源的投资收益减少42.8%至60万美元，主要因为销量减少引起的毛利下降以及油品储罐租赁收入减少所致。

2012年净利润增加4.4%至6620万美元，主要是由于毛利增长以及联营公司并账利润增长所致。2012年每股净收益为9.23美分，上年同期为8.83美分。

资产

CAO的资产负债状况保持稳健。截至2012年12月31日，CAO总资产为17亿美元，较2011年底的12亿美元增加5亿美元或38.2%，增长主要是由于：(i)应收款随着正常业务量的增加以及并入香港公司和北美公司报表的应收款而增加；以及(ii)公司收购了韩国丽水枢纽油库有限公司26%的股权所致。

CAO的资金流动性及偿债能力保持在良好水平。2012年年底，CAO的现金余额为8110万美元(2011年年底为8810万美元)，流动比例和速动比例分别为1.17及1.15(2011年分别为1.23及1.18)。

负债

截至2012年12月31日，CAO的带息负债总额为170万美元，2011年年底的带息负债3000万美元。截至2012年12月31日的带息负债率处于0.4%的低水平(2011年：7.5%)。公司处于净现金盈余状态，扣除带息负债的现金盈余为7950万美元，较2011年底的5810万美元有所增加。

净资产

截至2012年12月31日，CAO的净资产为4.6亿美元或每股64.16美分，2011年12月31日为4亿美元或每股55.99美分。净资产增加主要是由于2012年末分配利润形成的累计留存收益增加。

资金来源

CAO致力于保持稳健的财务结构，不断地监控整体的资金流动性，确保公司有足够的资金支持业务的需求。CAO现金流主要来自供应与贸易业务和联营公司派发的股息。

在油价起伏较大的市场环境下，截至2012年年底集团持有8110万美元的现金储备。CAO还签订了1.45亿美元的承诺性可循环使用银团贷款。截至2012年底，15家银行授予公司信用与贸易融资信用额度共计25亿美元。CAO的财务状况依然保持稳健，有足够的实力进入下一阶段的发展。

Risk Management

风险管理



Trading floor of CAO
贸易员工作场景

2012 was an exciting and challenging year for the CAO Group (the "Group"). Externally, the global economy remained sluggish, with slow-down in major economies such as China, India and the United States, coupled with the Euro zone debt crisis. This has resulted in weak demand in the oil market. In addition, the global oil market was faced with fundamental changes in supply chains. Oil prices remained volatile and liquidity was dampened in 2012, which posed significant challenges to market players. Internally, the Group underwent a significant period of integration of our wholly owned subsidiaries – China Aviation Oil (Hong Kong) Company Limited ("CAOHK") and North America Fuel Corporation ("NAFCO") – following the completion of acquisitions of both companies in the first quarter of 2012. The Group has moved a step towards globalisation in market reach and corporate structure. In the midst of these challenges, we continued to upgrade our management structure, system and human resources, building upon the previous firm foundation to further evolve to a forward-looking risk management framework to support the growth of the Group in a controlled and cost efficient manner.

Our risk management foundation continues to be built upon three main pillars namely:

- Three-tier management and control structure;
- Policies, guidelines and control framework; and
- System, process and people.

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

At the Board Level, the Risk Management Committee ("RMC") oversees strategic risk management issues. The RMC sets the limits for various types of risks and approves new activities that the Group plans to embark on. Through monthly reports and quarterly meetings, the RMC reviews the various risk metrics that provide an indication on CAO's risk exposures and the manageability of each category of risk.

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 are executed daily and that all risk-related policies, processes and limits are implemented and adhered to. The risk management team has built up a wealth of experience in the management of credit, market and operational risks over the past five years as the team moved in step to support the growing business agenda. Through continuous training, self-improvement and cross training, the team has either achieved or is working towards attaining professional certification such as Energy Risk Professional (ERP) and Financial Risk Manager (FRM) by Global Association of Risk Professionals (GARP).

The business risks of our supply and trading activities are effectively controlled by a comprehensive market, credit and

Risk Management

风险管理

Robust Management Control Structure 严谨的管理控制架构



operation risk framework. The set of market risk limits, which are delegated by the Board, include Volumetric, Value at Risk (VaR), Management Alert Triggers and Stop Loss limits. The daily one day holding period VaR, based on a 95% confidence interval, registered an average utilisation of US\$334,000 with the highest at US\$813,000 and the lowest at US\$91,000.

In addition to the above limits and controls, we perform regular scenario analyses and stress testings to capture tail risks of black swan events, i.e. events or occurrences that deviate beyond what is normally expected of a situation and that would be extremely difficult to predict. To ensure the suitability of our VaR model, regular back testing exercises are conducted.

As for credit risk management, we have a credit grading system of our counterparties, taking into consideration both qualitative and quantitative aspects. In addition, we are in the process of incorporating the Potential Future Exposures (PFE) approach into our monitoring and control process. This approach evaluates over a specified time period and within a certain confidence level, the maximum credit risk exposures of existing trades against possible future market prices during the life of the transactions.

A comprehensive list of Standard Operating Procedures ("SOPs") has been implemented and updated in a timely manner, while tests of control are conducted regularly to ensure that operation risks are controlled. As the company's businesses continue to grow, Business Contingency Planning ("BCP") is one of our priorities. We successfully conducted a BCP exercise and we witnessed a successful test of our contingency plan giving us the assurance that our businesses will continue as usual and customers' needs will be well taken care, even during unexpected crisis.

During the year, we engaged an industry renowned risk consultancy firm, Navitas Resources Pte Limited, to perform a market best practice evaluation on CAO's risk management framework and credit and market risk management approaches. The outcome of the review affirmed that CAO has a comprehensive, sound and effective risk management framework in place.

In light of the growing regulatory environment of the European Union and the United States, CAO formulated its Group Trade Sanctions Policy to fully comply with all applicable laws, including laws on trade sanctions.

To systemise our approach to identify and analyse risk factors beyond trading risks from an enterprise-wide perspective, we further enhanced our Enterprise Risk Register by covering the various key risks within the Group and assigned appropriate risk owners to oversee and actively manage the risk. As part of the integration exercise, CAOHK and NAFCO are covered under this register. In line with our ongoing efforts to move towards excellence, we have started the next phase of review of the framework by adopting a more quantitative and objective assessment of the various risks.

We remain committed to building up a risk awareness culture that is entrenched in the organisation. All employees are aware of and proactive about preventing and controlling risks in all aspects of the Group businesses.

The above developments demonstrates the commitment of CAO to ensure that robust growth of the Group has to go hand in hand with effective execution of risk control measures.

2012年是令人鼓舞和充满挑战的一年，由于主要经济体，如中国、印度和美国等经济增长减速以及欧元区的债务危机，使得世界经济环境持续呈现低迷状态，世界油品市场需求不旺，供应变化大，面临结构性调整，油价波动，流动性弱，为油品贸易公司带来严峻的挑战。在2012年第一季度完成全资收购中国航油(香港)有限公司和北美航油有限公司的项目后，CAO内部经历了与这两家子公司合并整合的重要阶段。公司的业务范围因此横跨世界主要经济区域，在市场开拓和管理结构上向全球化迈进了一步。面临这些挑战，我们在管理构架、体系和人员方面持续改善和提高风险管控，在原有基础上取得了新的进步，同时我们以前瞻性的思维推进公司业务发展，公司风险得到控制，管理有效，支持业务发展有力。

我们的风险管理基础仍建立在三个主要支柱上：

- 一、 三重管理和控制架构；
- 二、 政策，指导方针和控制架构；以及
- 三、 系统，流程和人员

三重管理控制架构为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，并且审批CAO计划开展的新业务。CAO建立了各种风险矩阵，反映各类风险的敞口、可管理性等指标。风险管理委员会通过月报和召开季度会议的形式来审查上述风险矩阵，有效监督公司风险管理情况。

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。CRM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、独立的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，并确保所有与风险相关的政策、流程和限额得到遵守和落实。风险管理团队通过五年时间的建设，在信用、市场、运作风险的管控方面积累了宝贵的经验，适应了业务增长的需要。风险管理团队的成员通过培训和自我进修，已经获取或正在获取相关专业资质，如全球风险管理专业人士协会(GARP)所认证的能源风险专业证书(ERP)和金融风险管理师资格(FRM)。

在供应和贸易活动方面，我们通过一整套市场、信用和运作方面的风险管理框架进行有效管控。在市场风险方面的限额包括董事会授权的交易量限额、风险值(VaR)、管理层预警和止损限

额。一天持有期的风险值，基于95%的置信区间，平均使用值为33.4万美元，其中最高81.3万美元，最低9.1万美元。

除了以上限额和控制措施以外，我们还进行定期的场景分析和压力测试，以分析黑天鹅事件(即超出正常范围之外、难以预测的极端情况)的影响。为了确定VaR模型的适用性，进行了定期的回溯测试。

在信用风险方面，我们对贸易对象进行信用评级制度，在评级过程中兼顾了定性和定量两方面因素。此外，我们也努力在信用风险监控和管理过程中，采用潜在敞口(PFE)的方法，评估现有交易在一定置信水平及一定时间段内，因未来可能的价格波动而产生的最大信用敞口。

在运作风险的管控上，我们建立了一套综合的标准工作流程，进行及时更新，并通过流程测试来确保制度的实施。在公司业务持续增长的同时，业务持续计划是我们优先考虑实施的措施，我们成功地进行了持续计划的测试演习，这使我们更加确信即使在意外的危机情况下，也能保证公司业务正常开展，能够持续满足客户的需求。

在这一年里，我们聘请了外部风险咨询师Navitas Resources私人有限公司对公司的风险管理框架以及信用和市场管理进行了市场最佳实践评估。公司获得了风险管理框架覆盖全面、扎实有效的评价。

为适应欧盟和美国日渐严格的监管环境，公司制定了CAO集团贸易制裁政策，以遵守所有适用法律，包括关于贸易制裁的法律。

为了从整个企业的角度，将我们识别和分析除贸易之外的风险因素的方法系统化，我们进一步改进了企业风险管理注册表，覆盖了公司的各类主要风险并指定适当的责任人监督并有效管理风险。作为业务整合的一部分，两个子公司都包含在风险注册表中。我们已开始重新回顾这个管理框架，将各项风险从较为主观的评估结果，转换到更为量化和客观的评估表中。

我们始终坚持打造“全程管理、全员参与”的风险管理文化，使风险意识成为全体员工共同的价值观，防控风险成为全体员工主动自觉的行动。

上述进展充分证明了公司的承诺：健康的发展需要适当的风险控制框架和实施有效的措施。



Pipelines at Shanghai Pudong's discharge port
浦东机场卸油码头输油管线

Our People 我们的团队



CAO employees at a dragon boat race
公司员工参与赛龙舟活动

Over the past few years, CAO has grown from being a China-centric jet fuel supplier to become Asia Pacific's largest physical jet fuel trader. As CAO sets its sights on becoming a global player, we recognise that our people are the most valuable asset of the Group. The well-being and safety of our people are paramount to CAO. As such, part of the Group's mission is "to foster a people-oriented corporate culture of Fairness, Integrity, Innovation and Transparency where our people can grow and develop together with the company".

Engaging our people

Our corporate culture is built on the core values of fairness, integrity, innovation and transparency, with the central theme of "togetherness" as portrayed by the internal slogan "Together we progress, Together we succeed". Emphasis is placed on developing policies and opportunities where our people can grow and develop together with the company.

A corporate culture committee which comprises representatives across business functions and led by the Human Resources Department was formed to promote the culture within CAO.

To foster a positive workplace culture, CAO has multiple channels and platforms for employee communication and engagement, such as organising annual team-building activities, conducting regular surveys to solicit feedback and suggestions from employees, annual individual dialogue sessions with the CEO, quarterly town hall meetings and employee newsletters.

Activities are conducted regularly to encourage cross-function interaction and communication, promote a sense of belonging

and strengthen cohesiveness amongst employees, such as festive celebrations, weekly sports activity, participation in sports tournaments and marathons.

All employees are highly involved and committed in the future growth of the Group. Everyone participated in the formulation of CAO's 2020 Strategy in one way or another, such as through brain-storming sessions within business units and participation in a company-wide contest to solicit ideas for our vision and mission.

Developing talent

At CAO, we continuously seek to attract, engage and retain our talent pool by supporting and offering education, training, career growth and advancement opportunities. CAO offers learning and skills upgrading opportunities to employees at all levels to equip them with the necessary knowledge and technical skills to meet business challenges. Scholarships are also available to high-potential employees.

Our compensation policy and practices are designed to pay remuneration packages that are competitive in the market, to attract, retain and engage our employees. Our pay practices are based on the value of the job and we reward our employees for their performance that supports business growth.

Annual Excellence awards are also given out by our parent company, China National Aviation Fuel Group Corporation, in recognition of CAO employees for exceptional contribution to the Group.

创新



TRANSPARENCY

FAIRNESS



诚信

Brainstorming session and team-building activities
小组讨论及团队建设活动

过去几年中，CAO已经由一个以中国市场为主导的航油供应商发展成为亚太最大的航油实货贸易商。随着公司放眼在全球市场拓展，我们认识到人才是公司最具价值的资产。确保员工的康乐和安全对公司至关重要。为此公司使命之一：“以人为本，培育以公平、诚信、创新、透明为核心的企业文化，使员工与公司共同发展”。

增强员工参与度

我们的公司文化以公平、诚信、创新和透明为核心，并以“团结”为主题提出了“携手同心，共创未来”的口号。公司所制订的员工政策和所提供的职业机会，都是围绕实现员工与公司共同发展为重点。

公司还设有企业文化小组。这一小组由人事部主管领导，成员来自各部门，旨在加强公司内部的文化建设。

为了营造良好的工作环境，我们搭建了多个员工交流和互动平台，包括每年举办一次团队建设活动、开展员工调查来收集员工的意见和建议、组织员工与首席执行官进行年度对话、召开季度全体员工大会以及发行员工季刊等。

公司也会定期组织集体活动，比如节庆活动、每周体育锻炼以及参加体育赛事和马拉松等，由此来加强员工的归属感和凝聚力。

每一名员工都积极参与公司的未来发展。各员工集思广益，以各种形式参与公司 2020 战略的制订，包括在部门内开展头脑风暴、参加公司范围的愿景和使命征集活动等。

人才发展

CAO 积极提供深造、培训、职业发展和晋升的机会，以吸引、激励和留住人才。公司为各级员工提供学习和提升技能的机会，使他们在知识储备和技能配备上能满足业务发展的需求。公司也为有潜力的员工提供教育奖学金。

公司的薪酬政策旨在提供具有行业竞争力的薪酬配套，以有效吸引、激励和留住人才。我们的薪酬政策是基于各岗位的价值，并奖励对公司业务发展做出积极贡献的员工。

我们的母公司中国航空油料集团公司每年也向 CAO 的杰出员工颁发先进团队或先进个人奖，表彰其为公司做出的特别贡献。

Corporate Social Responsibility

企业社会责任



CAO volunteers spending time with HSCDC pre-schoolers at a art jamming workshop
公司志愿者与HSCDC的小朋友参与涂鸦作坊

STEPPING UP TO BUILD STRONGER RELATIONSHIPS WITH COMMUNITIES

CAO is committed to contribute to the communities where it operates. Since 2010, CAO has been focusing its corporate social responsibility (“CSR”) activities in the areas where it can make a difference, leveraging on its experience and resources to actively support children, new immigrants and environment-related causes.

Creating opportunities

For the past three years, CAO has worked closely with Beyond Social Services’ pre-school facility – Healthy Start Child Development Centre (“HSCDC”) to contribute and support the educational initiatives for less privileged children from the Bukit Merah and Redhill neighbourhood estates. In 2012, for example, CAO volunteers helped to organise an art jamming workshop that allowed the children to explore their creativity and imagination through painting and other forms of art.

We also continued to support the educational needs of the less privileged members of the migrant community through the CAO-Tian Fu Bursary Fund. Besides disbursing funds to students who have excelled academically or come from lower-income families, cash grants are also provided to assist new immigrants working in Singapore upgrade their skills to enhance their employability and contribution to the Singapore economy. We also helped to resolve problems faced by new immigrants to promote social harmony.

As CAO’s businesses become increasingly global, we continue to actively support and promote educational initiatives in the communities where we do business. For 2012, we worked with school teachers at a Project Hope School in Chengdu, China – Wan An Fu He Elementary School — and sponsored a set of new audio visual facilities to enrich the learning experience of the students of that school. CAO volunteers took time off from work to visit the school in October 2012. Our volunteers conducted lessons in English introducing Singapore with the objective of raising the cross-cultural awareness of the children. CAO also

partnered with The Library Project to set up a new reading corner for the school and donated 1,000 brand new books.

The Library Project is a non-government charitable organisation focused on setting up libraries and/or reading corners for under-funded elementary schools in remote parts of China. Through the partnership with The Library Project, CAO aims to help promote and inculcate an interest for reading in young children in China.

Green initiatives

Since 2010, the CAO Green Fund, through the Community Foundation of Singapore, has been seeking and partnering local organisations to pursue green initiatives that aim to create and raise environmental consciousness in local communities. In 2012, CAO collaborated with the Singapore Environment Council to hold a Young Champions Challenge Soapbox Race during the Singapore Green One (“Singapore G1”) event, to promote and encourage green behaviour in our daily lives. The eco race challenge attracted over 15 teams from various voluntary welfare organisations and secondary schools. The youth had fun navigating the eco-friendly soapbox cart down a 80-metre track and compete for the best times. In addition to the sponsorship, CAO volunteers also provided coordination and logistics support for the event. We also participated in the Singapore G1 walkathon, pledging to live green and maintain a healthy lifestyle.

To raise awareness about practising an environmentally sustainable lifestyle, CAO organised regular lunchtime environmental awareness workshops, including terrarium-making and recycling used cooking oil into soap.

CAO announced its 2020 Strategy on 28 February 2013. In our vision, we identified “creating value for the community” as part of our corporate philosophy. As part of our mission, we strive to be “a socially responsible company, proactively pursuing economic, cultural, educational and environmental initiatives”. We will continue to enhance our CSR initiatives in line with our corporate strategy, so as to contribute more to the community.



Project Hope School children with their favourite storybooks
希望小学的学生们手捧新书



Cultivating green habits in our daily lives
在生活中培养环保意识



CAO volunteers working on art collages with HSCDC pre-schoolers
与HSCDC的小朋友一起进行“艺术创作”



Supporting the call for environmentally-sustainable lifestyle at the 2012 Singapore G1
支持 2012 年新加坡G1的环保行动

与社会结成更紧密的联系

CAO在发展业务的过程中从不忘回馈社会。从2010年起，CAO就把企业社会责任的重点放在公司能够为社会做出贡献的领域，借助于我们的经验和资源积极支持关于儿童、新加坡本地新移民和环保事业的活动。

创造机会

过去3年中，CAO与彼岸社会服务中心合作，为该中心下的学前儿童中心——健康起点儿童发展中心(“HSCDC”)里来自武吉美拉和红山区的困难家庭的儿童提供支持。比如2012年，CAO的志愿者协助HSCDC组织了“涂鸦作坊”，通过绘画等艺术形式帮助小朋友开发创造力和想象力。

我们也继续通过中国航油—天府会助学基金支持来自低收入新移民家庭中成绩优异的学生。除了向成绩优异或来自低收入家庭的学生发放助学金之外，我们也为新加坡在职的新移民提供资助，鼓励他们接受职业培训、提升就业技能，为新加坡经济作出更大的贡献。我们也帮助解决新移民面临的困难，促进新加坡社会和谐。

随着CAO的业务逐渐向全球扩张，我们也十分重视和倡导全民教育。2012年，我们与中国成都的万安福和希望小学结成互助伙伴，并为学校捐赠了一套影音设备来提高教学效果。此外，CAO的志愿者也于2012年10月亲赴小学，向学生们教授英文并介绍新加坡的风土人情，为两地友好搭建桥梁。

CAO还首次与“图书馆计划”组织联手为中国偏远地区的儿童建立图书角，并向万安福和小学捐赠1000本新书。“图书馆计划”是一个非政府性质的慈善组织，主要致力于帮助中国偏远地区经费不足的小学建立图书馆和图书角。CAO希望通过与“图书馆计划”的合作，帮助中国儿童培养阅读兴趣。

环保行动

CAO在2010年与新加坡社区基金会携手成立环保基金，并积极与本地环保组织合作开展环保活动，提高本地社区的环保意识。2012年，我们与新加坡环境署合作举办新加坡环保赛车(“新加坡G1”)活动下的“青年冠军肥皂盒赛车挑战赛”，来提倡和鼓励人们将环保概念运用到日常生活中。这一赛事吸引了来自于各志愿组织和中学的共15个团队参加。参赛的年轻选手乘坐环保肥皂盒赛车从一条80米长的跑道滑下，用时最短者取胜。除了提供资金赞助，CAO的志愿者还为赛事提供了赛事协调和后勤服务。此外，公司员工也参加了新加坡 G1 步行马拉松，提倡环保、健康的生活理念。

为了提倡环保生活，公司还定期组织环保主题的午餐讲座，内容包括制作环保生态瓶以及如何利用废弃食用油制作肥皂等。

2013年2月28日，公司发布了2020年战略，在愿景中明确了“为社会创造价值”的企业理念，同时将“积极承担公司对社会的经济责任、文化责任、教育责任和环境责任”作为公司的使命之一。公司将在发展战略的指导下，进一步深化和完善履行企业社会责任的方式方法，更好地回馈社会。

Investors Relations 投资者关系

CAO's investor relations practices are guided by our core corporate values of transparency, integrity, innovation and fairness. Adhering to a high standard of corporate governance and transparency, our investor relations efforts focus on the quality of disclosure, corporate transparency and fairness in disclosure. CAO is committed to communicating regularly with shareholders, investors, analysts and the media to provide timely and consistent updates on quarterly financial results and corporate activities.

During the year, CAO stepped up on the level of investor interaction and communication. Face-to-face meetings, teleconferences, investor conferences and roadshows were conducted to communicate CAO's latest performance, corporate developments and growth strategies to existing and potential investors. Such meetings are effective platforms for the Group to solicit and understand the views of investors.

Senior Management of CAO interacts frequently with the investment community. In 2012, as part of our efforts to broaden the Group's institutional investor base, Senior Management undertook non-deal roadshows in London, New York, San Francisco and Singapore. CAO also engages the media and investment community through news releases and quarterly media/analyst briefings after the announcements of the Group's financial results.

Channels of communication with the retail investors include emails and telephone calls and through participation in investor conferences. The Directors and Management team were also present at the Annual General Meeting to answer questions and interact with shareholders.

Our investor relations website is an important source of information to the investment community. Market sensitive

news is promptly posted on our website, www.caosco.com, at the end or beginning of each market day, in addition to the Singapore Exchange website. The website also provides comprehensive company information and relevant contact details, including the contact of the investor relations team. Investors can direct questions to CAO's investor relations team via ir@caosco.com.

Our proactive investor relations approach and commitment to corporate transparency was again recognised by the investing community in 2012. In the Governance and Transparency Index published by Singapore's Business Times and the Corporate Governance & Financial Reporting Centre of the National University of Singapore, CAO was ranked 30th out of 674 Singapore-listed companies assessed, which was a notch up from our 2011 ranking. CAO was Runner-Up (Oil and Gas category) for the Most Transparent Company Award for the fourth year since restructuring and the third consecutive year at the Securities Investors Association (Singapore)'s 2012 Investors' Choice Awards.

Over the past few years, CAO has been proactively expanding its business in new markets and through investments in synergetic assets. Notwithstanding the increasing pressure to retain cash for business expansion, CAO has remained committed to rewarding shareholders by sustaining a dividend payout of at least S\$0.02 per share since FY 2006. The Board of Directors has proposed a first and final cash dividend of S\$0.02 per share for FY 2012, which represents 18% of Group net profit and a dividend yield of 2% (based on closing price of CAO shares on 31 December 2012).

In terms of share price performance, CAO's share price gained 1.5% over the year to close at S\$1.00 at the end of 2012.

2012 CAO Share Price Movement and Trading Volume



在“透明、诚信、创新、公平”的企业核心价值观的指导下，CAO积极开展投资者关系活动。重点关注披露的质量、企业的透明度以及披露的适合性。CAO也与股东、投资者、分析师以及媒体保持频繁互动，及时通报季度业绩和企业发展的最新信息。

2012年，CAO进一步加强了与投资者的交流与互动。我们通过面对面交流、电话沟通，召开投资者会议以及参加路演等方式，及时向现有和潜在投资者通报CAO的最新业绩、企业发展情况以及公司战略。另一方面，这些交流活动也是公司了解投资者观点的有效平台。

CAO的高级管理层也一直积极参与与投资者的各种交流活动与散户投资者沟通的渠道包括。2012年，为了吸引机构投资者，我们的高级管理层参加了在伦敦、纽约、旧金山和新加坡举行的路演，与投资机构面对面交流。CAO还通过发布新闻稿以及配合每季度的业绩公告召开季度媒体和分析师见面会，来加强与媒体和投资界的交流。

与散户投资者沟通的渠道包括电子邮件、电话以及参加投资者大会。管理层也会亲临股东大会现场，与股东交流。

我们的投资者关系网站是投资者获取信息的重要渠道。公司除了按规定在新交所网站上披露重要信息之外，也会在每

交易日结束或开始时第一时间在CAO网站www.caosco.com上发布市场敏感信息。CAO网站上也有公司信息的详细介绍以及相关联系方式，包括投资者关系部的联系方式。投资者亦可直接发送电子邮件至ir@caosco.com进行咨询。

我们积极的投资者关系活动以及致力于保持高标准企业透明度的努力再次得到了投资界的认可。在新加坡《商业时报》和新加坡国立大学公司治理与财务报告中心联合发布的“治理与透明排名”中，CAO在接受评估的674家新加坡上市企业中位居第30名，较2011年排名有所上升。此外，我们也在2012年第13次SIAS投资者选择奖中，重组以来第四次、也是连续第三年获得“最透明公司奖”（油气行业第二名）。

在过去几年中，CAO一直通过进军新市场以及投资协同性资产，积极拓展业务。尽管公司积极拓展业务需要运用更多资金，CAO从2006财年起一直保持每年向股东发放至少每股0.02新元股息的做法。2012财年，董事会也提议发放每股0.02新元的年终一次性股息，占集团净利润的18%，股息生息率为2%(基于CAO在2012年12月31日的收盘价)。

在股价走势方面，2012年CAO的股价上涨1.5%，于年底收于1.00新元。

Share Price Information 股价信息

Share Price (S\$) 股价 (新元)	2008	2009	2010	2011	2012
As at last trading day of the year 截至当年的最后一个交易日	0.77	1.14	1.54	0.985	1.000
High 最高价	2.15	1.32	1.79	1.590	1.330
Low 最低价	0.48	0.57	1.09	0.835	0.925
Average 平均	1.28	1.01	1.41	1.179	1.041

Source: Bloomberg 资料来源: 彭博社

Corporate Calendar 公司事务时间表

2013	
Announcement of 2012 full-year results 公告2012年全年业绩	28 February
Despatch of Summary Reports to shareholders 向股东派发年报概要	On or about 27 March
19th Annual General Meeting/Extraordinary General Meeting 第19届常年及特别股东大会	25 April
Proposed First and Final Dividend for FY2012 2012年终一次性股息	
Books closure date 关账日	9 May
Payment date 付款日	20 May
Announcement of 1Q 2013 results 第一季度业绩公告	April
Announcement of 2Q 2013 results 第二季度业绩公告	August
Announcement of 3Q 2013 results 第三季度业绩公告	November
2014	
Announcement of 2013 full-year results 2013年全年业绩公告	February

Statement of Corporate Governance

The Board of Directors (the "**Board**") and Management of China Aviation Oil (Singapore) Corporation Ltd ("**CAO**" or 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 (the "**2005 Code**"). We regard corporate governance as a key element underpinning the sustainable, long-term growth of our businesses and shareholder value.

We confirm that throughout the financial year ended 31 December 2012 and at the date of issue of this Statement of Corporate Governance, we were compliant with the provisions of, and applied the principles set out in the 2005 Code.

The Monetary Authority of Singapore issued the revised Code of Corporate Governance in May 2012 (the "**2012 Code**"), applicable for financial years beginning on or after November 2012. We will report on it for the first time in 2013 financial year.

In line with CAO's commitment in ensuring that good corporate governance practices remain at the forefront of CAO's best business practice, the Board approved and adopted a CAO Corporate Governance Policy in August 2012 (the "**CAO Corporate Governance Policy**"), which corporate governance principles and guidelines are devised in line with the principles and guidelines set out in the 2012 Code. Under the CAO Corporate Governance Policy, relevant departments are also mandated with the responsibility to take the necessary implementation steps to oversee the adoption of the CAO Corporate Governance Policy in their practices, processes and operations.

We are pleased to report that as at the date of issue of this Statement of Corporate Governance, CAO is already in substantial compliance with the 2012 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 and sound systems of internal controls and processes which the Company voluntarily subjects them to biennial review by an independent third party consultant.

This report primarily describes the Company's corporate governance practices for the financial year ended 31 December 2012 with specific reference to the 2005 Code and details how we apply the principles and comply with the provisions of the 2005 Code as well as highlights the principles of the 2012 Code which CAO is already in substantial compliance.

(A) BOARD MATTERS

The Board's Conduct of its Affairs

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.

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 are collectively responsible to the Company's shareholders for the long-term success of the CAO group (the "**Group**") and for its overall strategic direction, its values and its governance. They provide the Company with the core competencies and the leadership necessary for the Group to meet its business objectives within the framework of its systems of internal controls and processes.

Statement of Corporate Governance

All members of the Board are aware of their responsibility to take decisions objectively which promote the success of the Group for the benefit of shareholders.

The CAO Corporate Governance Policy sets forth the matters reserved for the Board's decision, and provides clear directions to Management on matters that must be approved by the Board. In addition, Management has the responsibility for overseeing the implementation by the Group's operating subsidiaries of the policies and strategy set by the Board, and for creating the framework for their successful day-to-day operation.

Some of the businesses that the Board transacts include:

- Setting, reviewing and approving corporate strategies, annual budgets and financial plans;
- 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;
- Ensuring that the Group and Management comply with all laws, regulations, policies, directives, guidelines and internal code of conduct;
- Considering and approving the nominations of suitable candidates to the Board of Directors; and
- Ensuring accurate, adequate and timely reporting to, and communication with shareholders.

Key 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, formulation of any dividend policy or the change of such dividend policy, declaration of dividends, interested person transactions and any appointment, re-appointment or removal of the Chairman of the Board.

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.

The Board met six times in 2012. In addition to the scheduled quarterly Board meetings for the financial year 2012 to: (i) review and approve the release of the quarterly and full-year results; (ii) discuss reports by Management relating to major corporate activities; (iii) approve the annual budget; and (iv) review the performance of the Group's businesses, the Board met on two separate occasions during 2012- (i) a Special Board Meeting wherein the Board deliberated on a possible acquisition target; and (ii) a Board discourse on CAO's 2020 Corporate Strategy. 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 2012, as well as the attendance of each Board member at these meetings, are disclosed below:

	Board Meetings ⁽¹⁾	Board Committee Meetings			
		Audit	Nominating ⁽²⁾	Remuneration	Risk Management
Sun Li	6	N.A.	N.A.	N.A.	N.A.
Wang Kai Yuen	6	4	2	3	N.A.
Meng Fanqiu	6	N.A.	N.A.	N.A.	N.A.
Zhao Shousen	6	4	N.A.	N.A.	4
Liu Fuchun	6	4	1 ⁽²⁾	3	N.A.
Alan Haywood	6	4	N.A.	N.A.	4
Ang Swee Tian	6	4	2	3	4
Chen Liming	6	N.A.	2	3	N.A.
Luo Qun	5 ⁽³⁾	N.A.	2	2 ⁽³⁾	N.A.
Number of Meetings Held	6	4	2	3	4

Statement of Corporate Governance

Notes:

- (1) Includes a Special Board Meeting of the Company held on 19 June 2012 and a Board discourse on CAO's 2020 Corporate Strategy held on 9 November 2012.
- (2) Includes an ad hoc Nominating Committee Meeting of the Company held on 22 February 2012 to review and determine the independence status of Mr Liu Fuchun on the Board of CAO following his appointment as an independent director of CAO's parent company, CNAF. The Nominating Committee was of the view that other than his appointment as an independent Director of CNAF, Mr Liu Fuchun had no relationship with CNAF and its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment as a Director of the Company. Mr Liu had absent himself from the Nominating Committee's deliberation on his independence status.
- (3) Mr Luo Qun was unable to attend one meeting of the Board and Remuneration Committee due to a long-standing prior engagement.

A formal letter is sent to newly appointed Non-Executive Directors upon their appointment explaining their duties and obligations as a Director as well as the governance policies and practices of the Group. In addition, the formal letter of appointment sets out their expected time commitment and make clear that, by accepting the appointment, they are confirming that they are able to meet the expectations of their role. They are also required to disclose their other significant commitments to the Board prior to their appointment and to give notice of any subsequent changes.

In November 2012, the Board approved and adopted a Policy on Director Orientation and Professional Development which set out the principles and guidelines for new director orientation as well as continuous professional development for all Directors to maintain and enhance their knowledge and skills to help ensure that their contribution to the Board remains informed and relevant.

Comprehensive and tailored training is provided for all new Directors appointed to the Board as part of their orientation to ensure that they are familiar with (i) the Company's strategic objectives and the nature and scope of its operations; (ii) the Board's role and the governance structure and processes of the Company; (iii) Directors' duties and responsibilities under statute and common law, (iv) applicable legal requirements and other regulatory requirements; (v) broad overview on the rules of SGX-ST Listing Manual; and (vi) the CAO Corporate Governance Policy. 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.

The continuous professional development for Directors is conducted by external advisers, experts or senior management and these included (i) a half-day information session relating to "Asia Pacific Oil Market in a Global Context: Future Strengths and Weaknesses and Trends" conducted by FACTS Global Energy, a consulting firm specialising in oil and gas consultancy market; (ii) a presentation by WongPartnership on the revised 2012 Code of Corporate Governance following the announcement and issuance of the revised Code of Corporate Governance by Monetary Authority of Singapore in early May 2012; (iii) a presentation by KPMG Board Advisory Services on Summary of Key Changes to the SGX-ST Listing Manual; (iv) a full-day information session relating to "Market Risk & Credit Risk Management" conducted by Professor Tom James of Navitas Resources Pte Ltd; (v) attendance at a half-day seminar on "How Boards can work with the Internal Auditor and the Management to satisfy Regulatory Requirements on Internal Control" jointly organised by Singapore Institute of Directors, RSM Ethos & The Institute of Internal Auditors Singapore; and (vi) attendance at a Breakfast Discussion on "A study of the Air Ocean Judgment: Important lessons for Company Directors" jointly organised by Singapore Institute of Directors and Drew & Napier LLC.

All Directors are required to officially disclose their interests in the Company including any interested person transactions with the Company.

In line with best practices for audit committees of companies listed on the SGX-ST recommended by the Audit Committee Guidance Committee (an ad hoc committee established by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the SGX-ST in January 2008), all Directors are also required to disclose their interests in the issued share capital of corporations in which they and their immediate family members in aggregate own (directly or indirectly) 30 percent or more.

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

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.

Commentary

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. Each Director is required to complete a confirmation of independence checklist, which is drawn up in accordance with the guidelines provided by the 2012 Code, and requires each Director to assess his own independence. The Director is required to declare any circumstances in which he may be considered non-independent. The Nominating Committee will then review the confirmation of independence checklist to determine whether a Director is 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.

In accordance with the CAO Corporate Governance Policy, the independence of any Director who has served on the Board beyond nine years from the date of his first appointment shall be subject to rigorous review. As at the date of this report, none of the independent Directors of the Company have been appointed on the Board for more than nine years.

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

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.

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 ensures that all procedures and good governance practices are complied with. The Chief Executive Officer/Executive Director, Mr Meng Fanqiu consults with both the Chairman and the Deputy Chairman for their views on the agenda for Board meetings.

The Chairman, 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 petroleum 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/Executive Director 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.

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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/Executive Director are not related to each other.

The list of responsibilities of the Chairman and the Chief Executive Officer/Executive Director is available for inspection at the Company's registered office.

Board Membership

Principle 4

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

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
Wang Kai Yuen	Member
Chen Liming	Member
Ang Swee Tian	Member

Other than being an Independent Director of CNAF, 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) evaluating and nominating suitable candidates or, as the case may be, re-nominate retiring Directors to the Board;
- b) determining each Board member's independence status on an annual basis and as and when circumstances require;
- c) evaluating the effectiveness of the Board as a whole and independently evaluate each Board member's performance and contribution to the Board;
- d) reviewing of the training and professional development programmes of the Board; and
- e) deciding if a Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments.

In November 2012, the Board adopted the Nominating Committee's recommendations on the guiding principles for the determination of a specified maximum number of listed board representations. As a general guide, the maximum number of board representations in listed companies that a Director of the Company can hold is six (the "**Maximum Number of Listed Board Representations**"). In addition, the following considerations are also taken into account:

- (i) where the individual also holds a full-time executive position; and
- (ii) where the individual is a full-time independent director.

In order to provide sufficient time for the Directors of the Company to make the necessary changes to their other directorships to comply with the Maximum Number of Listed Board Representations, a 3-year grace period commencing from 1 April 2013 had been allowed.

Statement of Corporate Governance

To further strengthen accountability of the Directors of the Company, a greater disclosure of time commitments by Directors of the Company would be encouraged. Arrangements would be made for each Director of the Company to confirm annually to the Nominating Committee that he had spent adequate time on the business affairs of the Company and that his multiple directorships would not impinge on his ability to monitor the business affairs of the Company to the extent expected of a Director of the Company.

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.

Pursuant to Article 91, one-third of the members of the Board of Directors shall retire. For the AGM, Dr Zhao Shousen, Mr Meng Fanqiu and Mr Alan Haywood 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.

Board Performance

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.

Commentary

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

Prior to the Nominating Committee Meeting held during the last quarter of 2012, each member of the Nominating Committee is required to complete a Board assessment and effectiveness questionnaire for 2012 (the "**Board Evaluation Questionnaire**"). The elements of the Board Evaluation Questionnaire included questions on (i) the Board's composition; (ii) the Board's access to information prior to Board meetings and on an ongoing basis to enable them to properly discharge their duties and responsibilities as Directors, the expertise and experience of each member of the Board, (iii) the conduct of proceedings of meetings, participation and contributions to the Board both inside and outside of Board meetings, (iv) the assessment of the performance benchmark for assessing the performance of the Board as a whole and in ensuring the continued return for shareholders, (v) the standard of conduct in preventing conflicts of interest and the disclosure of personal interests and abstention from voting where appropriate. Each member of the Nominating Committee is required to give an assessment ranging from "Needs Significant Improvement" to "Excellent" on each of the core issues.

A summary of the assessment ratings on each of the elements of the Board Evaluation Questionnaire by each member of the Nominating Committee for last three preceding years were also sent to the members of the Nominating Committee.

Each member of the Nominating Committee will first carry out his own assessment and evaluation on the performance of the Board as a whole using the Board Evaluation Questionnaire. Thereafter, the results of the assessment and evaluation carried out individually by each member of the Nominating Committee would be collated by the Company Secretary for the collective deliberation and consensus of the Nominating Committee.

The Nominating Committee is satisfied with the current composition and performance of the Board both individually and as a whole.

Access to Information

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.

Commentary

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

Statement of Corporate Governance

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 Board and Board Committee meetings and assists the respective Chairman of the Board/Board Committees in ensuring that Board/Board Committee papers, 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.

(B) REMUNERATION MATTERS

Procedures for developing Remuneration Policies

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.

Level and Mix of Remuneration

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.

Disclosure on Remuneration

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.

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.

Statement of Corporate Governance

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
Liu Fuchun	Member
Chen Liming	Member
Ang Swee Tian	Member

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 (the "**CAO Share Option Scheme**"). The CAO Share Option Scheme expired on 9 November 2011.

In the discharge of its responsibilities, the Remuneration Committee has sought expert advice from an external international human resource consultancy firm.

Broadly, remuneration for the Executive Directors and top six senior executives for the financial year ended 31 December 2012 is 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.

The remuneration of Directors for the financial year ended 31 December 2012, 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
Above S\$600,000 to S\$850,000	(%)	(%)	(%)	(%)	(%)	(%)
Meng Fanqiu	–	66	34	1	–	100
Below S\$100,000	(%)	(%)	(%)	(%)	(%)	(%)
Sun Li	85	–	–	15	–	100
Wang Kai Yuen	94	–	–	6	–	100
Zhao Shousen	88	–	–	12	–	100
Lu Fuchun	83	–	–	17	–	100
Alan Haywood	85	–	–	15	–	100
Chen Liming	80	–	–	20	–	100
Ang Swee Tian	91	–	–	9	–	100
Luo Qun	87	–	–	13	–	100

Statement of Corporate Governance

The number of six key executives (who are not also Directors) for the financial year ended 31 December 2012 in remuneration bands is set out below:

Number of Executives	Remuneration Bands
1	Above S\$1,350,000 to S\$1,600,000
4	Above S\$350,000 to S\$600,000
*1	Above S\$100,000 to S\$350,000

* Amount prorated from date of commencement of secondment of executive to CAO (i.e. August 2012)

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 2012. "immediate family member" means the spouse, child, adopted child, step child, brother, sister and parent.

The remuneration of the Group's top six 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 approved by the Remuneration Committee, taking into account the performance of the individual for the financial year 2012, the inflation price index and information from independent sources on the pay scale for similar jobs in a selected group of comparable organisations.

Structure of Non-Executive Directors' 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 Chief Executive Officer/ Executive Director does not receive Directors' fees for his Board directorships with the Company.

Variable/Performance

- The Group operates a bonus scheme for all employees including the Executive Director. 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 Director and the six key executives included the 2012 variable bonuses payable in relation to profit targets achieved for the Company's oil trading activities during the financial year 2012.

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.

Statement of Corporate Governance

Share Options

- The Non-Executive Directors of the Company are eligible to participate in the CAO Share Option Scheme which was established since 9 November 2001. On 9 October 2011, the Company made its first and only grant of 5,860,000 share options to eligible participants of the CAO Share Option Scheme which did not include the Independent Directors of the Company. To maintain the internal equity between the Independent Directors and the other Directors of the Company, the Company enlisted the assistance of Hay Group to compute the option value with the purpose of converting the share options grant of 150,000 each to the other Directors into the cash equivalent value for the Independent Directors of the Company. The option period in respect of the Executive Options (as defined under the rules of the CAO Share Option Scheme) commences on 9 October 2013 and expires on the date immediately preceding the tenth anniversary of the date of grant i.e. 9 October 2011 ("**Date of Grant**"). Non-Executive Options (as defined under the CAO Share Option Scheme) commences on 9 October 2013 and expires on the date immediately preceding the fifth anniversary of the Date of Grant.

Details on the CAO Share Option Scheme are disclosed in the Appendix to this report. The CAO Share Option Scheme expired on 9 November 2011.

As at the date of this Corporate Governance Statement, there are 3,562,600 share options to take up unissued shares in the Company after taking into account an aggregate of (i) 598,000 share options which were cancelled under the CAO Share Option Scheme due to staff resignations and withdrawals by staff from participation in the CAO Share Option Scheme; and (ii) 1,699,400 share options which ceased to be exercisable under the CAO Share Option Scheme due to vesting conditions not met.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10

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

Commentary

During the financial year 2012, 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**"), scrutinised Management's conduct of the Company's and Group's business processes and financials. Each area of the Company and Group was 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, reviewed 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 were announced or issued within the mandatory period.

Management provided 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.

Statement of Corporate Governance

Audit Committee

Principle 11

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

Commentary

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

Audit Committee

Ang Swee Tian	Chairman
Zhao Shousen	Vice-Chairman
Wang Kai Yuen	Member
Liu Fuchun	Member
Alan Haywood	Member

The Audit Committee held four meetings in 2012 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 was the financial statements and announcements made by the Company to shareholders. The members of the Audit Committee, 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 (i) the internal auditors' plans to ensure that the plans adequately cover, in particular, significant internal controls of the Company relating to financial, operational and compliance-related matters; and (ii) the external auditors' plans to ensure that the plans adequately cover the audit of the Group and the Company's statutory financial statements. 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 Audit 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 April 2012, 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.

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 Group as well as other persons such as suppliers of the Group may, in confidence, raise concerns about possible improprieties regarding financial reporting or other matters.

Statement of Corporate Governance

In this regard, the Company has set up a dedicated email address at whistleblowing@caosco.com for persons to report concerns pertaining to any form of misconduct affecting the Group, its customers, partners, suppliers and other stakeholders, and has disclosed the existence of the email address in its website. Once an email has been received at the email address set out above, an investigating committee will be responsible for investigating the concern raised.

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 which is subject to review from time to time. 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 and mitigate its key risks.

The Company has also put in place an employee handbook which includes a code of business conduct and ethics for employees.

(D) INTERNAL CONTROLS

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.

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 established the Risk Management Committee.

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

Risk Management Committee

Alan Haywood	Chairman
Zhao Shousen	Member
Ang Swee Tian	Member

The Risk Management Committee is responsible for, among others:

- (i) setting the limits for various types of risks, such as market, credit, operational, compliance and reputation risks;
- (ii) approving new activities that the Group plans to embark on; and
- (iii) overseeing the risk management practices of the Group.

The Head of the Risk Management Department reports directly to the Risk Management Committee. The Risk Management Committee had delegated the day-to-day management of the risks of the Company and the Group to the Company Risk Meeting, which operates within the delegated authority set by the Risk Management Committee from time to time. The Company Risk Meeting comprises the Head of Risk Management, senior Management and relevant functional heads (i.e. from Trading, Operations, Finance and Legal), and meets once a month as well as on an ad hoc basis when required. The Chairman of the Company Risk Meeting, who is the Head of Risk Management, directly reports to the Chief Executive Officer/Executive Director but also has an independent direct reporting line to the Risk Management Committee.

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.

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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, Deal Entry policy, CAO Group Trade Sanctions Policy and CAO Group Corporate Guarantee 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 Risk Management department and the Legal department.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's system of internal controls addressing financial, operational and compliance risks, were adequate as at 31 December 2012 to provide reasonable assurance for achieving the following objectives:

- (i) effectiveness and efficiency of operations;
- (ii) reliability of financial reporting; and
- (iii) compliance with applicable laws and regulations.

Internal Audit

Principle 13

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

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.

As internal auditors of the Group, Grant Thornton reviews 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 had presented their internal audit plan 2012 to the Audit Committee. The Audit Committee adopted the audit plan for 2012.

In order to maintain the continued independence of, and the objectivity in the internal audit function of the Group, BDO LLP ("**BDO**") was appointed as internal auditors of the Company for the financial year 2013 in place of Grant Thornton.

The internal auditors of the Group have carried out their function according to the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

(E) COMMUNICATION WITH SHAREHOLDERS

Principle 14

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

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.

Statement of Corporate Governance

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.

Commentary

Investor Relations and Shareholder Communication

During the year 2012, the Company, through the Investor Relations team, the CEO and other senior management members, maintains regular dialogue with shareholders, investors, analysts and the media directed towards providing a deeper understanding of and insight into the Company's corporate developments and growth strategies as well as its financial performances. These included face-to-face meetings, teleconferences, investor conferences and non-deal roadshows in London, New York, San Francisco and Singapore. Channels of communication with retail investors were made through email correspondences and telephone calls as well as participation in investor conferences.

The Company also engages the media and investment community through news releases and quarterly media/analysts briefings after each announcement of the Group's financial results.

The Company has established an Investor Relations Policy to regulate and facilitate regular, effective and fair communication with its shareholders. In addition, the Board has approved and adopted Internal Guidelines on Issuance of Profit Guidance or Profit Warning Announcements which purpose is to allow market expectations to adjust to the likelihood that the Company will either not be living up to an earlier profit guidance or to market expectations, and/or to avoid an earnings shock, negative impact on the share price, sell-off of the Company's shares and/or volatility of trading in the Company's shares, when the financial results are announced.

Conduct of Shareholder Meetings

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. Notwithstanding this, the Company allows shareholders who hold shares through nominee companies to attend the AGM as observers without being constrained by the two-proxy rule.

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.

Each issue or matter requiring the approval of shareholders of the Company is submitted as a single item resolution.

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.

Dividend Policy

The Board has approved and adopted a dividend policy which sets out the guiding principles for dividend distribution by the Company (the "**Guiding Principles**"). The Guiding Principles included inter alia, maintaining a dividend distribution of at least S\$0.02 in a financial year until the financial year 2015 and a review of the dividend payout quantum to be carried out during the financial year 2015.

Statement of Corporate Governance

In approving or reviewing a dividend policy or making its recommendations on the timing, amount and form of any future dividends, the Board takes into consideration, among others:

- (a) the results of operations and cash flow of the Company;
- (b) the expected financial performance and working capital needs of the Company;
- (c) the future prospects of the Company;
- (d) the capital expenditure and other investment plans of the Group; and
- (e) general economic and business conditions.

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 approved the renewal of the general mandate for interested person transactions of the Group on 26 April 2012 (the "**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. 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 2012 is found under "Supplementary Information" on page 119.

REVIEW OF SYSTEM OF INTERNAL CONTROLS

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

During the last quarter of 2012, the Company conducted an overall review of the Company's established system of internal controls (the "**Review of System of Internal Controls**") with the assistance of an external independent consulting firm, BDO. Upon completion of the Review of System, of Internal Controls, BDO had concluded that the Company generally conforms to Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") Internal Controls Integrated Framework. Risks identified (none of which are rated as high risk) are highlighted in the Risk Assessment section in its report. No other exceptions were noted with respect to internal controls and countermeasures reviewed in the scope of the engagement. However, BDO had recommended several areas of improvement so as to fully conform to the requirements under the COSO internal controls framework. Accordingly, Management had carefully considered these recommendations from BDO and had taken the necessary actions to implement the same as appropriate.

Statement of Corporate Governance

Appendix

(1) Details of the CAO Share Option Scheme

CAO 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 ("**Parent Group Executives/Directors**") are also eligible to participate in the CAO 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 CAO 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.

The Exercise Price (as defined under the rules of CAO Share Option Scheme) for each Share in respect of which an Option (as defined under the rules of CAO Share Option Scheme) is exercisable shall be determined by the Remuneration Committee, and fixed at the highest of:

- (i) a price equal to the last dealt price of the Shares as at the close of trading on the Offer Date of the Option, as determined by reference to the website of the SGX-ST, rounded up to the nearest whole cent in the event of fractional prices; or
- (ii) a price (the "**Market Price**") equal to the average of the last dealt prices for a Share, as determined by reference to the local English newspapers, the Business Times or other publication published by the SGX-ST for the 5 consecutive trading days immediately preceding the Offer Date of that Option, rounded up to the nearest whole cent in the event of fractional prices; or
- (iii) a price which is set at a discount to the Market Price, provided that:
 - (1) the maximum discount shall not exceed 20% of the Market Price; and
 - (2) the Shareholders of the Company in an AGM or EGM shall have authorised the making of offers and grants of Options under this CAO Share Option Scheme at a discount not exceeding the maximum discount as aforesaid in a separate resolution,

provided always that the Remuneration Committee shall have the discretion to revise the Exercise Price for each Share in respect of which an Option is exercisable in order to comply with the requirements of any regulatory authority (in Singapore or elsewhere) which are binding on the Company, subject to applicable laws and the listing rules of the SGX-ST.

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 second anniversary of the offer date of that share option or in such tranches over such period after such second anniversary date as the Remuneration Committee may determine and set out in the offer letter, 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 "**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 option 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 Options granted to Directors and employees (other than to senior executives of the Company who are secondees of the parent company, CNAF ("**CNAF Secondees**") are subject to the following vesting conditions:

- (a) Up to a maximum of one-third of the number of option shares shall be exercisable in the period from the day after the second anniversary of the Offer Date to the third anniversary of the Offer Date;
- (b) Up to a maximum of one-third of the number of option shares and any number of option shares in respect of which the option has not been exercised under paragraph (a), shall be exercisable in the period from the day after the third anniversary of the Offer Date to the fourth anniversary of the Offer Date; and

Statement of Corporate Governance

- (c) The remaining number of option shares and any number of option shares in respect of which the option has not been exercised under paragraphs (a) and (b) above, shall be exercisable in the period from the day after the fourth anniversary of the Offer Date to the date immediately preceding the fifth anniversary of the Offer Date.

The options granted to the CNAF Secondees are subject to the following vesting conditions:

- (a) Up to a maximum of one-third of 80% of the number of option shares shall be exercisable in the period from the day after the second anniversary of the Offer Date to the third anniversary of the Offer Date;
- (b) Up to a maximum of one-third of 80% of the number of option shares, and any number of option shares in respect of which the option has not been exercised under paragraph (a), shall be exercisable in the period from the day after the third anniversary of the Offer Date to the fourth anniversary of the Offer Date; and
- (c) The remaining number of option shares not exceeding 80% of the total number of option shares, and any number of option shares in respect of which the option has not been exercised under paragraphs (a) and (b) above, shall be exercisable in the period from the day after the fourth anniversary of the Offer Date to the date immediately preceding the fifth anniversary of the Offer Date.

The option in respect of the remaining 20% of the option shares, together with any option shares in respect of which the option has not been exercised under paragraphs (a), (b) and (c) above, shall be exercisable only after the end of the secondment term of the CNAF Secondees.

In addition, the option may only be exercised if, at the relevant date of exercise, the following conditions have been met:

- (a) if the holder of vested options being a non-executive director, is or remains as a director of the Company, or if the holder of vested options being an employee, is or remains in full-time employment with the Company;
- (b) achievement of pre-determined target set for key performance indicators on (i) market capitalisation, (ii) net profit after tax, and (iii) return on equity; and
- (c) achievement of individual performance targets set by the Company or by its immediate holding company for executives of the Company.

The Options granted to non-executive directors expire after five (5) years from the Offer Date and in the case of options granted to executives, the Options expire ten (10) years from the Offer Date.

The Share Option Scheme which was in force for 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 (i.e. 9 November 2001) expired on 9 November 2011.

Statement of Corporate Governance

(2) Charter of Lead Independent Director

The Company shall have a Lead Independent Director who shall be an independent director as defined under 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.

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Directors' Report

Year ended 31 December 2012

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 2012.

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	
Chen Liming	
Alan Haywood	
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 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 2012	At 31 December 2012	At 1 January 2012	At 31 December 2012
The Company				
Sun Li				
- Options to subscribe for ordinary shares at S\$0.91 per share from 9 October 2013 to 8 October 2016	300,000	300,000	-	-
Wang Kai Yuen				
- Ordinary shares	-	48,000	100,000 ⁽¹⁾	100,000 ⁽¹⁾
Ang Swee Tian				
- Ordinary shares	-	40,000	-	-
Meng Fanqiu				
- Options to subscribe for ordinary shares at S\$0.91 per share from 9 October 2013 to 8 October 2021	498,000	498,000	-	-
Luo Qun				
- Options to subscribe for ordinary shares at S\$0.91 per share from 9 October 2013 to 8 October 2016	150,000	150,000	-	-
Zhao Shousen				
- Options to subscribe for ordinary shares at S\$0.91 per share from 9 October 2013 to 8 October 2016	150,000	150,000	-	-

⁽¹⁾Held by Wang Kai Yuen's spouse.

Directors' Report

Year ended 31 December 2012

DIRECTORS' INTERESTS (CONT'D)

The Directors' interests in the ordinary shares of the Company as at 21 January 2013 were the same as those as at 31 December 2012.

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 as disclosed under the "Share Options" section of this report and in note 28 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 in which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS

The China Aviation Oil Share Option Scheme (the "Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 9 November 2001. The Scheme is administered by the Remuneration Committee of the Company, comprising five directors, Wang Kai Yuen, Luo Qun, Ang Swee Tian, Liu Fuchun and Chen Liming.

Other information regarding the Scheme is set out below:

- Under the Scheme, share options to subscribe for the ordinary shares of the Company (the "Shares") are granted to full-time confirmed employees and Directors (including Non-Executive Directors) of the Group.
- The aggregate number of the Shares over which the Remuneration Committee may grant share options on any date, when added to the number of Shares issued and issuable in respect of all share options granted under the Scheme, shall not exceed 15% of the total number of issued Shares (excluding treasury shares) from time to time.
- The exercise price for each Share in respect of which a share option is exercisable shall be determined by the Remuneration Committee, and fixed at the highest of:
 - (i) a price equal to the last dealt price of the Shares as at the close of trading on the date of grant (the "Offer Date") of the share option, as determined by reference to the website of the Singapore Exchange Securities Trading Limited ("SGX-ST"), rounded up to the nearest whole cent in the event of fractional prices; or
 - (ii) a price (the "Market Price") equal to the average of the last dealt prices for a Share, as determined by reference to the Singapore English newspapers, or other publication published by the SGX-ST for the 5 consecutive trading days immediately preceding the Offer Date of that share option, rounded up to the nearest whole cent in the event of fractional prices; or
 - (iii) a price which is set at a discount to the Market Price, provided that:
 - (1) the maximum discount shall not exceed 20% of the Market Price; and
 - (2) the Shareholders of the Company in an AGM or EGM shall have authorised the making of offers and grants of share options under the Scheme at a discount not exceeding the maximum discount as aforesaid in a separate resolution,

provided that the Remuneration Committee shall always have the discretion to revise the exercise price for each Share in respect of which a share option is exercisable in order to comply with the requirements of any regulatory authority (in Singapore or elsewhere) which are binding on the Company, subject to applicable laws and the listing rules of the SGX-ST.

Share 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 second anniversary of the offer date of that share option or in such tranches over such period after such second anniversary date as the Remuneration Committee may determine and set out in the letter of offer, 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 (collectively referred to as "Executive Options"); and before the fifth anniversary of the relevant offer date, in the case of options issued to non-executive directors, or such earlier date as may be determined by the Remuneration Committee.

Directors' Report

Year ended 31 December 2012

SHARE OPTIONS (CONT'D)

The Scheme which was in force for a maximum period of ten (10) years, commencing on the date on which the Scheme is adopted by shareholders at the extraordinary general meeting of the Company (i.e. 9 November 2001) expired on 9 November 2011.

As at the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options granted and outstanding as of 1 January 2012	Options exercised	Options forfeited/ expired	Options outstanding at 31 December 2012	Number of options holders at 31 December 2012	Exercise period
9 October 2011	S\$0.91	5,260,000	–	(598,000)	4,662,000	44	9 October 2013 to 8 October 2021
9 October 2011	S\$0.91	600,000	–	–	600,000	3	9 October 2013 to 8 October 2016
		5,860,000	–	(598,000)	5,262,000	47	

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Details of options granted to directors of the Company under the Scheme are as follows:

Name of director	Options granted for financial year 31 December 2012	Aggregate options granted since commencement of Scheme to 31 December 2012	Aggregate options forfeited since commencement of Scheme to 31 December 2012	Aggregate options exercised since commencement of Scheme to 31 December 2012	Aggregate options outstanding as at 31 December 2012
Sun Li	–	300,000	–	–	300,000
Meng Fanqiu	–	498,000	–	–	498,000
Zhao Shousen	–	150,000	–	–	150,000
Luo Qun	–	150,000	–	–	150,000

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

Since the commencement of the Scheme, no options have been granted to employees of the immediate holding company or its related companies under the Scheme, except for 3 employees of the immediate holding company who are also the directors of the Company, who were granted options to subscribe for an aggregate of 600,000 ordinary shares in the Company in 2011.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Directors' Report

Year ended 31 December 2012

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
- Alan Haywood, non-executive, non-independent director

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

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 and annual financial statements of the Group and the Company and the integrity of financial reporting of the Group and the Company (including the accounting principles) prior to their submission to the directors of the Company for approval;
- internal auditors' plans to ensure that the plans adequately cover, in particular, significant internal controls of the Group and the Company relating to the financial, operational and compliance-related matters;
- external auditors' plan to ensure that the plan adequately cover the audit of the statutory financial statements of the Group and the Company; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

Directors' Report

Year ended 31 December 2012

AUDIT COMMITTEE (CONT'D)

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.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

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

On behalf of the Board of Directors

Wang Kai Yuen

Deputy Chairman

Meng Fanqiu

Chief Executive Officer/Executive Director

18 March 2013

Statement by Directors

Year ended 31 December 2012

In our opinion:

- (a) the financial statements set out on pages 76 to 118 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 2012 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

Wang Kai Yuen

Deputy Chairman

Meng Fanqiu

Chief Executive Officer/Executive Director

18 March 2013

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 subsidiaries (the Group), which comprise the statement of financial position of the Group and the Company as at 31 December 2012, 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 information, as set out on pages 76 to 118.

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 2012 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

18 March 2013

Statement of Financial Position

As at 31 December 2012

	Note	Group		Company	
		2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Non-current assets					
Property, plant and equipment	4	8,046	8,568	7,992	8,568
Intangible assets	5	1,975	243	160	243
Subsidiaries	6	–	–	25,329	–
Associates	7	248,874	216,686	111,526	81,236
Deferred tax assets	8	7,093	3,980	7,083	3,980
		<u>265,988</u>	<u>229,477</u>	<u>152,090</u>	<u>94,027</u>
Current assets					
Inventories	9	18,572	38,213	15,568	38,213
Trade and other receivables	10	1,284,636	838,506	1,218,242	838,506
Cash and cash equivalents	11	81,144	88,065	75,290	88,063
		<u>1,384,352</u>	<u>964,784</u>	<u>1,309,100</u>	<u>964,782</u>
Total assets		<u>1,650,340</u>	<u>1,194,261</u>	<u>1,461,190</u>	<u>1,058,809</u>
Equity attributable to owners of the parent					
Share capital	12	215,573	215,573	215,573	215,573
Reserves	13	244,360	185,762	112,042	56,597
Total equity		<u>459,933</u>	<u>401,335</u>	<u>327,615</u>	<u>272,170</u>
Non-current liabilities					
Deferred tax liabilities	8	6,194	6,282	–	–
Current liabilities					
Trade and other payables	14	1,182,184	756,644	1,132,771	756,639
Loans and borrowings	15	1,666	30,000	804	30,000
Current tax liabilities		363	–	–	–
		<u>1,184,213</u>	<u>786,644</u>	<u>1,133,575</u>	<u>786,639</u>
Total liabilities		<u>1,190,407</u>	<u>792,926</u>	<u>1,133,575</u>	<u>786,639</u>
Total equity and liabilities		<u>1,650,340</u>	<u>1,194,261</u>	<u>1,461,190</u>	<u>1,058,809</u>

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

Consolidated Income Statement

Year ended 31 December 2012

	Note	2012 US\$'000	2011 US\$'000
Revenue	18	14,807,984	9,011,978
Cost of sales		(14,765,234)	(8,972,012)
Gross profit		42,750	39,966
Other income	19	800	2,209
Administrative expenses		(13,075)	(7,598)
Other operating expenses		(2,445)	(6,132)
Results from operating activities		28,030	28,445
Finance costs	20	(5,644)	(2,757)
Share of profits of associates (net of income tax)		43,187	40,232
Profit before income tax		65,573	65,920
Income tax credit/(expense)	21	616	(2,519)
Profit for the year	19	66,189	63,401
Attributable to:			
Owners of the Company		66,189	63,401
Earnings per share:			
Basic earnings per share (cents)	22	9.23	8.84
Diluted earnings per share (cents)	22	9.23	8.83

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	2012 US\$'000	2011 US\$'000
Profit for the year	66,189	63,401
Other comprehensive income		
Translation differences relating to financial statements of foreign associates	3,748	5,837
Other comprehensive income for the year, net of income tax	3,748	5,837
Total comprehensive income for the year	69,937	69,238
Attributable to:		
Owners of the Company	69,937	69,238

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Note	Share capital US\$'000	Foreign currency translation reserve US\$'000	Statutory reserve US\$'000	Reserve for own shares US\$'000	Share option reserve US\$'000	Accumulated profits US\$'000	Total equity US\$'000
At 1 January 2011		215,573	17,303	7,826	(3,906)	–	108,435	345,231
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	63,401	63,401
Other comprehensive income								
Translation differences relating to financial statements of foreign associates		–	5,837	–	–	–	–	5,837
Total other comprehensive income		–	5,837	–	–	–	–	5,837
Total comprehensive income for the year		–	5,837	–	–	–	63,401	69,238
Contributions by and distributions to owners								
Share of associates' accumulated profits transferred to statutory reserve		–	–	340	–	–	(340)	–
Own shares acquired		–	–	–	(1,576)	–	–	(1,576)
Dividends to equity holders	13	–	–	–	–	–	(11,612)	(11,612)
Share-based payment transactions		–	–	–	–	54	–	54
Total transactions with owners		–	–	340	(1,576)	54	(11,952)	(13,134)
At 31 December 2011		215,573	23,140	8,166	(5,482)	54	159,884	401,335

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Note	Share capital US\$'000	Foreign currency translation reserve US\$'000	Statutory reserve US\$'000	Reserve for own shares US\$'000	Share option reserve US\$'000	Accumulated profits US\$'000	Total equity US\$'000
At 1 January 2012		215,573	23,140	8,166	(5,482)	54	159,884	401,335
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	66,189	66,189
Other comprehensive income								
Translation differences relating to financial statements of foreign associates		-	3,748	-	-	-	-	3,748
Total other comprehensive income		-	3,748	-	-	-	-	3,748
Total comprehensive income for the year		-	3,748	-	-	-	66,189	69,937
Contributions by and distributions to owners								
Share of associates' accumulated profits transferred to statutory reserve		-	-	528	-	-	(528)	-
Dividends to equity holders	13	-	-	-	-	-	(11,556)	(11,556)
Share-based payment transactions		-	-	-	-	217	-	217
Total transactions with owners		-	-	528	-	217	(12,084)	(11,339)
At 31 December 2012		215,573	26,888	8,694	(5,482)	271	213,989	459,933

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

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	2012 US\$'000	2011 US\$'000
Cash flows from operating activities		
Profit for the year	66,189	63,401
Adjustments for:		
Depreciation of property, plant and equipment	780	564
Amortisation of intangible assets	104	52
Allowance for impairment loss on doubtful debts	773	4,276
Share-based payment	217	54
Share of profits of associates (net of tax)	(43,187)	(40,232)
Income tax (credit)/expense	(616)	2,519
Interest income	(192)	(270)
Interest expense	1,344	1,080
Unrealised exchange differences	(125)	(228)
	25,287	31,216
Change in inventories	22,762	116,017
Change in trade and other receivables	(390,619)	(296,393)
Change in trade and other payables	371,600	175,757
Cash generated from operating activities	29,030	26,597
Income tax paid	(2,732)	(1,095)
Net cash from operating activities	26,298	25,502
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired (note 26)	(8,725)	–
Acquisition of associate	(28,785)	–
Interest received	202	269
Acquisition of property, plant and equipment	(191)	(410)
Acquisition of intangible assets	(21)	(191)
Deposit for acquisition of associate	–	(1,505)
Dividends from associates	45,417	20,969
Net cash from investing activities	7,897	19,132
Cash flows from financing activities		
Interest paid	(1,351)	(1,073)
Proceeds from loans and borrowings	286,760	508,887
Repayment of loans and borrowings	(315,094)	(509,411)
Repurchase of own shares	–	(1,576)
Dividends paid	(11,556)	(11,612)
Net cash used in financing activities	(41,241)	(14,785)
Net (decrease)/increase in cash and cash equivalents	(7,046)	29,849
Cash and cash equivalents at 1 January	88,065	57,988
Effect of exchange rate fluctuations on cash held	125	228
Cash and cash equivalents at 31 December	81,144	88,065

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

Notes to the Financial Statements

Year ended 31 December 2012

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 18 March 2013.

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 consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the financial statements of the Company, its subsidiaries and the Group's interests in associates (together referred to as the "Group" and individually as "Group entities").

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

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 29.

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 in accordance with FRS 103 *Business Combination* 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.

Notes to the Financial Statements

Year ended 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

Business combinations (Cont'd)

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

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.

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.

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.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the 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.

Investments in associates are accounted for using the equity method (equity-accounted investees) 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.

Notes to the Financial Statements

Year ended 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

Subsidiaries and associates in the separate financial statements

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

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective 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.

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

Recognition and measurement

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.

The 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.

Subsequent costs

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.

Notes to the Financial Statements

Year ended 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

Depreciation

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.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

Leasehold properties	50 years
Motor vehicles	8 years
Furniture and fittings	8 years
Office equipment	4-8 years
Renovations	5 years
Computers	4-5 years

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

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. In respect of equity-accounted investees, 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 life 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.

Notes to the Financial Statements

Year ended 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

Non-derivative financial instruments (Cont'd)

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.

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.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

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.

Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

Notes to the Financial Statements

Year ended 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

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 has 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.

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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

Notes to the Financial Statements

Year ended 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (Cont'd)

Non-financial assets (Cont'd)

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. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 a subsidiary and an associate, 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.

3.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

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.

Notes to the Financial Statements

Year ended 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Employee benefits (Cont'd)

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

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.

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 income and finance costs

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

Finance costs comprise bank charges and interest expenses on loan and borrowings. Interest expenses are recognised in profit or loss using the effective interest method.

Notes to the Financial Statements

Year ended 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that they relate 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 and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would flow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. 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.

In determining the amount of current and deferred tax, the Company takes into the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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, which comprise share options granted to directors and employees.

Notes to the Financial Statements

Year ended 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 2012, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. The Group does not expect significant impact arising from the adoption of these standards.

Applicable for the Group's 2013 financial statements

- FRS 113 *Fair Value Measurement*, which replaces the existing guidance on fair value measurement in different FRSs with a single definition of fair value. The standard also establishes a framework for measuring fair values and sets out the disclosure requirements for fair value measurements. The adoption of this standard will require the Group to re-assess the bases used for determining the fair values computed for both measurement and disclosures purposes and would result in more extensive disclosures on fair value measurements. The Group believes that there are no significant difference between the current bases used in determining the fair values of its assets and liabilities and that required by the standard.

Applicable for the Group's 2014 financial statements

- Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, which clarifies the existing criteria for net presentation on the face of the statement of financial position.

Under the amendments, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group currently offsets receivables and payables due from/to the same counterparty if the Group has the legal right to set off the amounts when it is due and payable based on the contractual terms of the arrangement with the counterparty, and the Group intends to settle the amounts on a net basis. Based on the local laws and regulations in certain jurisdictions in which the counterparties are located, the set-off rights are set aside in the event of bankruptcy of the counterparties. On adoption of the amendments, the Group will have to present the respective receivables and payables on a gross basis as the right to set-off is not enforceable in the event of bankruptcy of the counterparty. The amendments will be applied retrospectively and prior periods in the Group's 2014 financial statements will be restated.

Notes to the Financial Statements

Year ended 31 December 2012

4 PROPERTY, PLANT AND EQUIPMENT

	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
Group							
Cost							
At 1 January 2011	9,205	232	21	229	857	377	10,921
Additions	–	–	–	88	–	267	355
At 31 December 2011	9,205	232	21	317	857	644	11,276
Acquisition of subsidiaries	–	53	4	2	–	8	67
Additions	–	–	–	38	–	153	191
Disposals	–	–	–	(4)	–	(2)	(6)
At 31 December 2012	9,205	285	25	353	857	803	11,528
Accumulated depreciation							
At 1 January 2011	1,668	23	7	127	59	260	2,144
Depreciation for the year	272	25	3	26	168	70	564
At 31 December 2011	1,940	48	10	153	227	330	2,708
Depreciation for the year	449	38	2	39	162	90	780
Disposals	–	–	–	(4)	–	(2)	(6)
At 31 December 2012	2,389	86	12	188	389	418	3,482
Carrying amounts							
At 1 January 2011	7,537	209	14	102	798	117	8,777
At 31 December 2011	7,265	184	11	164	630	314	8,568
At 31 December 2012	6,816	199	13	165	468	385	8,046
Company							
Cost							
At 1 January 2011	9,205	232	21	229	857	377	10,921
Additions	–	–	–	88	–	267	355
At 31 December 2011	9,205	232	21	317	857	644	11,276
Additions	–	–	–	38	–	153	191
At 31 December 2012	9,205	232	21	355	857	797	11,467
Accumulated depreciation							
At 1 January 2011	1,668	23	7	127	59	260	2,144
Depreciation for the year	272	25	3	26	168	70	564
At 31 December 2011	1,940	48	10	153	227	330	2,708
Depreciation for the year	449	29	2	39	162	86	767
At 31 December 2012	2,389	77	12	192	389	416	3,475
Carrying amounts							
At 1 January 2011	7,537	209	14	102	798	117	8,777
At 31 December 2011	7,265	184	11	164	630	314	8,568
At 31 December 2012	6,816	155	9	163	468	381	7,992

Notes to the Financial Statements

Year ended 31 December 2012

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

	Goodwill on consolidation US\$'000	Software US\$'000	Total US\$'000
Group			
Cost			
At 1 January 2011	–	456	456
Additions	–	191	191
At 31 December 2011	–	647	647
Acquisition of subsidiaries	1,815	–	1,815
Additions	–	21	21
At 31 December 2012	1,815	668	2,483
Accumulated amortisation			
At 1 January 2011	–	352	352
Amortisation for the year	–	52	52
At 31 December 2011	–	404	404
Amortisation for the year	–	104	104
At 31 December 2012	–	508	508
Carrying amounts			
At 1 January 2011	–	104	104
At 31 December 2011	–	243	243
At 31 December 2012	1,815	160	1,975

Impairment testing of goodwill

Goodwill on consolidation, determined provisionally, has been allocated to the respective cash generating units (CGUs) for impairment testing. The carrying amounts of goodwill allocated to each CGU are as follows:

	2012 US\$'000
Group	
China Aviation Oil (Hong Kong) Company Limited (CAOHK)	902
North American Fuel Corporation (NAFCO)	913
	<u>1,815</u>

The recoverable amounts of the CGUs and its allocated goodwill on consolidation were determined based on fair value less costs to sell. As at 31 December 2012, management assessed that the carrying amount of the CGUs and the allocated goodwill on consolidation approximates the fair value less costs to sell which is based on recent acquisition price.

Notes to the Financial Statements

Year ended 31 December 2012

5 INTANGIBLE ASSETS (CONT'D)

	Software US\$'000	Total US\$'000
Company		
Cost		
At 1 January 2011	456	456
Additions	191	191
At 31 December 2011	647	647
Additions	21	21
At 31 December 2012	668	668
Accumulated amortisation		
At 1 January 2011	352	352
Amortisation for the year	52	52
At 31 December 2011	404	404
Amortisation for the year	104	104
At 31 December 2012	508	508
Carrying amounts		
At 1 January 2011	104	104
At 31 December 2011	243	243
At 31 December 2012	160	160

6 SUBSIDIARIES

	Company	
	2012 US\$'000	2011 US\$'000
Unquoted equity investment, at cost	25,329	–

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Ownership	
		2012 %	2011 %
CAOT Pte Ltd (CAOT)	Singapore	100	100
CAOHK	Hong Kong	100	–
NAFCO	United States of America	100	–

On 1 March 2012, the Company completed the acquisition of 100% equity interest in CAOHK and NAFCO for a consideration of HKD91,000,000 (equivalent to US\$11,733,714) and US\$4,000,000 respectively. Please see note 26 for further details of these acquisitions.

Subsequent to completion of acquisition of CAOHK, the Company injected an additional HKD65,000,000 (equivalent to US\$8,380,068) by way of subscription of ordinary shares in CAOHK on 12 March 2012.

The subsidiaries are not considered significant subsidiaries 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.

Notes to the Financial Statements

Year ended 31 December 2012

7 ASSOCIATES

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Investments in associates	248,874	216,686	112,915	82,625
Impairment losses	–	–	(1,389)	(1,389)
	<u>248,874</u>	<u>216,686</u>	<u>111,526</u>	<u>81,236</u>

On 16 April 2012, the Company completed the acquisition of 26% equity interest in Oilhub Korea Yeosu Co., Ltd. (OKYC) for a consideration of KRW34,128,120,000 (equivalent to US\$30,289,617). Subsequent to the acquisition, OKYC becomes an associate of the Group.

In 2012, dividends declared by associates amounted to US\$45,085,378 (2011: US\$20,558,177) of which US\$45,417,000 (2011: US\$20,969,000) were received during the financial year.

Details of the associates are as follows:

Name of associate	Country of incorporation	Ownership	
		2012 %	2011 %
# 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
@ Oilhub Korea Yeosu Co., Ltd. (OKYC)	Republic of Korea	26	–

Audited by Crowe Horwath China Certified Public Accountants, LLP Shanghai Branch, 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 are as follows:

	2012 US\$'000	2011 US\$'000
Assets and liabilities		
Non-current assets	512,066	88,110
Current assets	869,622	781,666
Total assets	<u>1,381,688</u>	<u>869,776</u>
Current and total liabilities	<u>(777,733)</u>	<u>(390,159)</u>
Results		
Revenue	3,599,188	3,544,846
Expenses	(3,464,826)	(3,421,118)
Profit after taxation	<u>134,362</u>	<u>123,728</u>
Group's share of associates' contingent liabilities (refer to Note 25)	<u>18,365</u>	<u>18,365</u>

Notes to the Financial Statements

Year ended 31 December 2012

8 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Deferred tax assets				
Tax losses carry-forward	7,093	3,980	7,083	3,980
Deferred tax liabilities				
Investments in associates	(6,194)	(6,282)	-	-

Movements in temporary differences during the year are as follows:

	At 1 January 2011 US\$'000	Recognised in profit or loss US\$'000	At 31 December 2011 US\$'000	Recognised in profit or loss US\$'000	At 31 December 2012 US\$'000
Group					
Investments in associates	4,858	1,424	6,282	(88)	6,194
Tax losses carry-forward	(3,980)	-	(3,980)	(3,113)	(7,093)
	878	1,424	2,302	(3,201)	(899)
Company					
Tax losses carry-forward	(3,980)	-	(3,980)	(3,103)	(7,083)

Unrecognised deferred tax assets

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

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Other temporary differences	879	488	879	488
Tax losses carry-forward	129,385	215,345	129,385	215,345
	130,264	215,833	130,264	215,833

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.

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

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Trading inventories at fair value less costs to sell	18,572	38,213	15,568	38,213

In the current year, trading inventories recognised in cost of sales amounted to US\$14,669,558,000 (2011: US\$8,758,477,000) for the Group and the Company.

Notes to the Financial Statements

Year ended 31 December 2012

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Trade receivables	765,412	296,066	724,898	296,066
Other receivables	19,110	3,416	13,158	3,416
Deposits	4,827	18,776	4,490	18,776
Amounts due from:				
- immediate and ultimate holding company (non-trade)	4,100	-	60	-
- subsidiary (trade)	-	-	26,708	-
- related corporations (trade)	299,440	344,927	257,181	344,927
- related corporation of a corporate shareholder (trade)	173,151	161,865	173,151	161,865
	476,691	506,792	457,100	506,792
Total receivables	1,266,040	825,050	1,199,646	825,050
Less:				
Allowance for impairment loss on doubtful debts	(5,049)	(4,276)	(5,049)	(4,276)
	1,260,991	820,774	1,194,597	820,774
Derivative financial assets - oil commodity derivatives	22,498	15,516	22,498	15,516
Loans and receivables	1,283,489	836,290	1,217,095	836,290
Prepayments	1,147	2,216	1,147	2,216
	1,284,636	838,506	1,218,242	838,506

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

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

The Group and Company'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 located in People's Republic of China and Hong Kong.

The Group and the Company's exposure to credit and currency risks, and impairment loss related to trade and other receivables, are disclosed in note 17.

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Cash at bank and in hand	66,407	26,154	60,553	26,152
Deposits with financial institutions	14,737	61,911	14,737	61,911
Cash and cash equivalents in the statement of cash flows	81,144	88,065	75,290	88,063

Notes to the Financial Statements

Year ended 31 December 2012

11 CASH AND CASH EQUIVALENTS (CONT'D)

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 reprice at intervals of one, three or six months):

	2012		2011	
	Interest rate %	Carrying amount US\$'000	Interest rate %	Carrying amount US\$'000
Group				
US\$ deposits	0.23	46,233	0.09	74,390
RMB deposits	–	–	2.70	3,180
		<u>46,233</u>		<u>77,570</u>
Company				
US\$ deposits	0.23	46,233	0.09	74,390
RMB deposits	–	–	2.70	3,180
		<u>46,233</u>		<u>77,570</u>

The Group and the Company's exposure to foreign currency risk and interest rate risk are disclosed in note 17.

12 SHARE CAPITAL

	Company	
	2012 Number of shares ('000)	2011 Number of shares ('000)
Fully paid ordinary shares, with no par value:		
At 1 January and 31 December	<u>722,821</u>	<u>722,821</u>

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.

Capital management

The Company defines capital as share capital and reserves. The consolidated share capital and reserves amounts to US\$459,933,000 (2011: US\$401,335,000). 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 such authorised personnel as appointed by the Board of Directors 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 subsidiaries are not subject to externally imposed capital requirements.

Notes to the Financial Statements

Year ended 31 December 2012

13 RESERVES

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Foreign currency translation reserve	26,888	23,140	–	–
Statutory reserve	8,694	8,166	–	–
Reserve for own shares	(5,482)	(5,482)	(5,482)	(5,482)
Share option reserve	271	54	271	54
Accumulated profits	213,989	159,884	117,253	62,025
	<u>244,360</u>	<u>185,762</u>	<u>112,042</u>	<u>56,597</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 2012, the Group held 6,000,000 (2011: 6,000,000) of the Company's shares.
- (d) The share option reserve comprise the cumulative value of services received from directors and employees for the issue of the share options.
- (e) The following (one-tier tax exempt) dividends were declared and paid by the Group and Company:

	Group and Company	
	2012 US\$'000	2011 US\$'000
Final exempt dividends paid in respect of the previous financial year of S\$0.02 (2011: S\$0.02) per share	<u>11,556</u>	<u>11,612</u>

- (f) The Directors have proposed a final (one-tier tax exempt) ordinary dividend of S\$0.02 (2011: S\$0.02) per share, amounting to US\$11,727,000 (2011: US\$11,556,000). The dividends have not been provided for.

Notes to the Financial Statements

Year ended 31 December 2012

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Trade payables	973,777	520,360	940,064	520,360
Accrued operating expenses	13,460	13,288	13,452	13,283
Other payables	647	107	307	107
Advance receipts from customers	5,025	89	758	89
Amounts due to:				
- immediate and ultimate holding company (non-trade)	7,856	52	-	52
- related corporations (trade)	3,641	-	-	-
- related corporation of a corporate shareholder (trade)	148,874	205,894	148,874	205,894
Derivative financial liabilities - oil commodity derivatives	28,904	16,854	28,904	16,854
Intra-group financial guarantee	-	-	412	-
	1,182,184	756,644	1,132,771	756,639

Amount due to immediate and ultimate holding company is unsecured and interest-free, and is repayable on demand.

The Group and the Company's exposures to foreign currency risk are described in note 17.

During the year, the Company issued financial guarantees to a supplier and a bank on behalf of its subsidiary. The financial guarantees were given by the Company in respect of banking facilities amounting US\$10,000,000 (2011: Nil) and for credit terms extended by the supplier to the subsidiary. The financial guarantee issued expires on 5 July 2013. The fair value of the financial guarantees issued to the bank and the supplier are included in loans and borrowings and trade and other payables respectively.

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 17.

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Current liabilities				
Short-term loan – unsecured	1,666	30,000	-	30,000
Intra-group financial guarantee	-	-	804	-
	1,666	30,000	804	30,000

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 US\$'000	Carrying amount US\$'000
Group					
2012					
Short-term loan	USD	2.31	2013	1,666	1,666
2011					
Short-term loan	USD	2.78	2012	30,000	30,000
Company					
2011					
Short-term loan	USD	2.78	2012	30,000	30,000

Notes to the Financial Statements

Year ended 31 December 2012

16 SHARE-BASED PAYMENT ARRANGEMENTS

On 9 November 2001, the Company established a share-based payment programme that entitles directors and employees to purchase shares in the Company. On 9 October 2011, a grant on similar terms (except for exercise price and option period) was offered to directors and employees subject to approval by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) of the People's Republic of China (PRC). Subsequently, SASAC granted its approval for the offer and grant of options on 8 November 2011. In accordance with this programme, holders of vested options are entitled to purchase shares at the exercise price determined at the date of grant. All options are to be settled by delivery of shares.

Information on the share-based payment programme is as follows:

- (i) The exercise price of the options is set at S\$0.91 per share.
- (ii) The options granted to directors and employees (other than to senior executives of the Company who are secondees of the parent company, China National Aviation Fuel Group Corporation ("CNAF Secondees") are subject to the following vesting conditions:
 - (a) Up to a maximum of one-third of the number of option shares shall be exercisable in the period from the day after the second anniversary of the Offer Date to the third anniversary of the Offer Date;
 - (b) Up to a maximum of one-third of the number of option shares and any number of option shares in respect of which the option has not been exercised under paragraph (a), shall be exercisable in the period from the day after the third anniversary of the Offer Date to the fourth anniversary of the Offer Date; and
 - (c) The remaining number of option shares and any number of option shares in respect of which the option has not been exercised under paragraphs (ii) (a) and (ii) (b), shall be exercisable in the period from the day after the fourth anniversary of the Offer Date to the date immediately preceding the fifth anniversary of the Offer Date.
- (iii) The options granted to the CNAF Secondees are subject to the following vesting conditions:
 - (a) Up to a maximum of one-third of 80% of the number of option shares shall be exercisable in the period from the day after the second anniversary of the Offer Date to the third anniversary of the Offer Date;
 - (b) Up to a maximum of one-third of 80% of the number of option shares, and any number of option shares in respect of which the option has not been exercised under paragraph (iii) (a), shall be exercisable in the period from the day after the third anniversary of the Offer Date to the fourth anniversary of the Offer Date; and
 - (c) The remaining number of option shares not exceeding 80% of the total number of option shares, and any number of option shares in respect of which the option has not been exercised under paragraphs (iii) (a) and (iii) (b), shall be exercisable in the period from the day after the fourth anniversary of the Offer Date to the date immediately preceding the fifth anniversary of the Offer Date.

The option in respect of the remaining 20% of the option shares, together with any option shares in respect of which the option has not been exercised under paragraphs (iii) (a), (iii) (b) and (iii) (c) above, shall be exercisable only after the end of the secondment term of the CNAF Secondees.
- (iv) In addition, the options may only be exercised if, at the relevant date of exercise, the following conditions have been met:
 - (a) if the holder of the options being a non-executive director, is or remains as a director of the Company, or if the holder of the options being an employee, is or remains in full-time employment with the Company;
 - (b) achievement of pre-determined target set for key performance indicators on (i) market capitalisation, (ii) net profit after tax, and (iii) return on equity;
 - (c) achievement of individual's performance targets set by the Company or by its immediate holding company for employees of the Company; and
 - (d) approval by the Remuneration Committee confirming the vesting of the options.

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Year ended 31 December 2012

16 SHARE-BASED PAYMENT ARRANGEMENTS (CONT'D)

Notwithstanding the conditions (a), (b) and (c), the vesting of the options is at the discretion of the Remuneration Committee. As such, the grant date of the share-based payment arrangement is deemed to be the same day as the options' vesting date.

- (v) The options granted to non-executive directors expire after five years from the date of grant, and options granted to employees expire after ten years from the date of offer.

Based on the above service and performance conditions, the Group assess the fair value of the share-based payment arrangement at each reporting date.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimated fair value of the services is measured based on the Black-Scholes-Merton Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability exercise restrictions and behavioural considerations.

Fair value of share options and assumptions at the relevant reporting dates are set out below:

	9 October 2011/ 31 December 2011	31 December 2012
Fair value of measured date	S\$0.23	S\$0.24
Share price	S\$0.95	S\$1.00
Exercise price	S\$0.91	S\$0.91
Expected volatility	44.46%	41.93%
Expected dividend rate	2.53%	2.33%
Risk-free interest rate	2.50%	2.50%

The expected volatility is based on the historical volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

The market condition associated with the share options granted are factored in the measurement of fair value. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of services to be received at the grant date.

The number of share options and their related weighted average exercise prices are as follows:

	2012 Weighted average exercise price	2012 No. of options ('000)	2011 Weighted average exercise price	2011 No. of options ('000)
At 1 January	S\$0.91	5,860	–	–
Granted during the year	–	–	S\$0.91	5,860
Forfeited during the year	S\$0.91	(598)	–	–
At 31 December	S\$0.91	<u>5,262</u>	S\$0.91	<u>5,860</u>

The details of the remaining exercisable period, in years, of the options outstanding are as follows:

	Remaining exercisable period	
	2012 Years	2011 Years
Options issued to:		
- Executives	8	9
- Non-executives	3	4

Notes to the Financial Statements

Year ended 31 December 2012

17 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	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Loans and receivables	1,283,489	836,290	1,217,095	836,290
Cash and cash equivalents	81,144	88,065	75,290	88,063
	<u>1,364,633</u>	<u>924,355</u>	<u>1,292,385</u>	<u>924,353</u>

Impairment losses

The ageing of trade and other receivables (excluding derivative financial assets and prepayments) at the reporting date is:

	2012		2011	
	Gross US\$'000	Impairment losses US\$'000	Gross US\$'000	Impairment losses US\$'000
Group				
Not past due	1,256,130	–	824,735	(4,276)
1 – 30 days	4,050	–	–	–
31 – 90 days	244	–	–	–
Over 90 days	5,616	(5,049)	315	–
	<u>1,266,040</u>	<u>(5,049)</u>	<u>825,050</u>	<u>(4,276)</u>
Company				
Not past due	1,194,045	–	824,735	(4,276)
Over 90 days	5,601	(5,049)	315	–
	<u>1,199,646</u>	<u>(5,049)</u>	<u>825,050</u>	<u>(4,276)</u>

The Group and the Company establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The movements in the allowance for impairment in respect of trade and other receivables during the year are as follows:

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
At 1 January	4,276	–	4,276	–
Impairment loss recognised	773	4,276	773	4,276
At 31 December	<u>5,049</u>	<u>4,276</u>	<u>5,049</u>	<u>4,276</u>

Notes to the Financial Statements

Year ended 31 December 2012

17 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
Group			
2012			
Non-derivative financial liabilities			
Trade and other payables [#]	1,148,255	(1,148,255)	(1,148,255)
Loans and borrowings	1,666	(1,668)	(1,668)
Derivative financial liabilities			
Oil commodity derivatives	28,904*	(28,904)*	(28,904)*
	<u>1,178,825</u>	<u>(1,178,827)</u>	<u>(1,178,827)</u>
2011			
Non-derivative financial liabilities			
Trade and other payables [#]	739,701	(739,701)	(739,701)
Loans and borrowings	30,000	(30,044)	(30,044)
Derivative financial liabilities			
Oil commodity derivatives	16,854*	(16,854)*	(16,854)*
	<u>786,555</u>	<u>(786,599)</u>	<u>(786,599)</u>
Company			
2012			
Non-derivative financial liabilities			
Trade and other payables [#]	1,102,697	(1,102,697)	(1,102,697)
Intra-group financial guarantee	1,216	(11,755)	(11,755)
Derivative financial liabilities			
Oil commodity derivatives	28,904*	(28,904)*	(28,904)*
	<u>1,132,817</u>	<u>(1,143,356)</u>	<u>(1,143,356)</u>
2011			
Non-derivative financial liabilities			
Trade and other payables [#]	739,696	(739,696)	(739,696)
Loans and borrowings	30,000	(30,044)	(30,044)
Derivative financial liabilities			
Oil commodity derivatives	16,854*	(16,854)*	(16,854)*
	<u>786,550</u>	<u>(786,594)</u>	<u>(786,594)</u>

[#] Excludes derivative financial liabilities, advance receipts and intra-group financial guarantees.

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

Notes to the Financial Statements

Year ended 31 December 2012

17 FINANCIAL INSTRUMENTS (CONT'D)

Currency risk

Exposure to currency risk

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

	Singapore dollar US\$'000	Renminbi US\$'000	Hong Kong dollar US\$'000	British pound US\$'000
Group				
2012				
Trade and other receivables	805	239	476	-
Cash and cash equivalents	403	3,896	138	601
Trade and other payables	(3,799)	(191)	(2,860)	(58)
	<u>(2,591)</u>	<u>3,944</u>	<u>(2,246)</u>	<u>543</u>
2011				
Trade and other receivables	815	-	-	-
Cash and cash equivalents	494	3,286	-	-
Trade and other payables	(4,736)	(282)	-	-
	<u>(3,427)</u>	<u>3,004</u>	<u>-</u>	<u>-</u>
Company				
2012				
Trade and other receivables	805	239	-	-
Cash and cash equivalents	400	3,875	-	-
Trade and other payables	(3,792)	(191)	-	-
	<u>(2,587)</u>	<u>3,923</u>	<u>-</u>	<u>-</u>
2011				
Trade and other receivables	815	-	-	-
Cash and cash equivalents	491	3,286	-	-
Trade and other payables	(4,730)	(282)	-	-
	<u>(3,424)</u>	<u>3,004</u>	<u>-</u>	<u>-</u>

Sensitivity analysis

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

	Group Profit/(loss)		Company Profit/(loss)	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Singapore dollar	259	342	259	342
Renminbi	(394)	(300)	(392)	(300)
Hong Kong dollar	225	-	-	-
British pound	(54)	-	-	-

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 2012

17 FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk

Profile

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

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Fixed rate instruments				
Financial assets	46,233	77,570	46,233	77,570
Financial liabilities	(1,666)	(30,000)	–	(30,000)
	<u>44,567</u>	<u>47,570</u>	<u>46,233</u>	<u>47,570</u>

Fair value sensitivity analysis

The Group and Company 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 Group and Company's financial instruments carried at cost or amortised cost approximate their fair values as at 31 December 2012 and 31 December 2011 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).

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Group and Company				
31 December 2012				
Derivative financial assets	–	22,498	–	22,498
Derivative financial liabilities	–	(28,904)	–	(28,904)
	<u>–</u>	<u>(6,406)</u>	<u>–</u>	<u>(6,406)</u>
31 December 2011				
Derivative financial assets	–	15,516	–	15,516
Derivative financial liabilities	–	(16,854)	–	(16,854)
	<u>–</u>	<u>(1,338)</u>	<u>–</u>	<u>(1,338)</u>

Notes to the Financial Statements

Year ended 31 December 2012

18 REVENUE

	Group	
	2012 US\$'000	2011 US\$'000
Revenue from middle distillates	13,106,088	8,630,797
Revenue from other oil products	1,701,896	381,181
	14,807,984	9,011,978

Included in revenue is net loss of US\$21,036,000 (2011: net loss of US\$16,177,000) recognised in relation to derivative financial instruments.

19 PROFIT FOR THE YEAR

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

	Group	
	2012 US\$'000	2011 US\$'000
Other income		
Interest income	192	270
Foreign exchange gain (net)	556	1,939
Others	52	–
	800	2,209
Audit fees paid and payable to:		
- auditor of the Company	(262)	(247)
- other auditors	(127)	(127)
Non-audit fees paid and payable to auditor of the Company	(71)	(173)
Allowance for impairment loss on doubtful debts	(773)	(4,276)
Operating lease expense	(17,840)	(14,400)
Depreciation and amortisation expense	(884)	(616)
Staff costs	(13,053)	(10,217)
Contributions to defined contribution plans, included in staff costs	(260)	(283)
Share-based payment, included in staff costs	(217)	(54)

20 FINANCE COSTS

	Group	
	2012 US\$'000	2011 US\$'000
Bank charges	4,300	1,677
Interest expenses	1,344	1,080
	5,644	2,757

Notes to the Financial Statements

Year ended 31 December 2012

21 INCOME TAX (CREDIT)/EXPENSE

	Group	
	2012 US\$'000	2011 US\$'000
Current tax expense		
Current year	363	–
Deferred tax expense		
Origination and reversal of temporary differences	(88)	1,424
Recognition of previously unrecognised tax losses	(3,113)	–
	(3,201)	1,424
Withholding tax expense	2,222	1,095
Total tax (credit)/expense	(616)	2,519

Reconciliation of effective tax rate

	Group	
	2012 US\$'000	2011 US\$'000
Profit before income tax	65,573	65,920
Income tax using Singapore tax rate of 17% (2011: 17%)	11,147	11,206
Effects of tax rates in foreign jurisdictions	(10)	–
Tax effects of revenue at concessionary tax rate	(2,686)	(3,055)
Effects of results of associates presented net of tax	(7,342)	(6,839)
Expenses not deductible for tax purposes	449	125
Utilisation of tax losses	(1,195)	(1,437)
Recognition of previously unrecognised tax losses	(3,113)	–
Temporary differences arising from investments in associates	(88)	1,424
Withholding tax expense	2,222	1,095
	(616)	2,519

The Company was granted concessionary rate of tax under the Global Trader Programme (GTP), which was renewed for a period of 5 years from 1 August 2010 to 31 July 2015. Under the GTP, income derived from qualifying trading transactions of approved products by the Company is taxed at the concessionary rate of 5% 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.

22 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of US\$66,189,000 (2011: US\$63,401,000), and a weighted average number of ordinary shares outstanding of 716,821,000 (2011: 716,938,000), calculated as follows:

Profit attributable to ordinary shareholders

	2012 US\$'000	2011 US\$'000
Basic and diluted earnings per share is based on: Net profit attributable to ordinary shareholders	66,189	63,401

Notes to the Financial Statements

Year ended 31 December 2012

22 EARNINGS PER SHARE (CONT'D)

	2012 Number of shares (‘000)	2011 Number of shares (‘000)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	716,821	718,153
Effect of own shares held	–	(1,215)
Weighted average number of ordinary shares at 31 December	716,821	716,938

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of US\$66,189,000 (2011: US\$63,401,000), and a weighted average number of ordinary shares outstanding of 716,821,000 (2011: 717,805,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2012 Number of shares (‘000)	2011 Number of shares (‘000)
Weighted average number of ordinary shares (basic)	716,821	716,938
Effect of share options on issue	–	867
Weighted average number of ordinary shares (diluted)	716,821	717,805

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding. The outstanding share options were assessed to be anti-dilutive as at 31 December 2012.

23 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.

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Year ended 31 December 2012

23 OPERATING SEGMENTS (CONT'D)

	Middle distillates US\$'000	Other oil products US\$'000	Others US\$'000	Total US\$'000
2012				
Revenue	13,106,088	1,701,896	–	14,807,984
Gross profit	40,699	2,051	–	42,750
Other operating expenses	(9,161)	(1,730)	(3,745)	(14,636)
Depreciation and amortisation	(884)	–	–	(884)
Foreign exchange gain	556	–	–	556
Interest income	192	–	–	192
Other income	52	–	–	52
Finance costs	(3,374)	(2,269)	(1)	(5,644)
Share of profits of associates (net of income tax)	–	–	43,187	43,187
Income tax credit/(expense)	2,740	–	(2,124)	616
Reportable segment profits/(losses) after income tax	30,820	(1,948)	37,317	66,189
Reportable segment total assets	982,573	418,711	249,056	1,650,340
2011				
Revenue	8,630,797	381,181	–	9,011,978
Gross profit	38,784	1,182	–	39,966
Other operating expenses	(8,796)	(548)	(3,770)	(13,114)
Depreciation and amortisation	(616)	–	–	(616)
Foreign exchange gain	1,939	–	–	1,939
Interest income	270	–	–	270
Finance costs	(2,582)	(174)	(1)	(2,757)
Share of profits of associates (net of income tax)	–	–	40,232	40,232
Income tax expense	–	–	(2,519)	(2,519)
Reportable segment profits after income tax	28,999	460	33,942	63,401
Reportable segment total assets	946,652	30,923	216,686	1,194,261

Notes to the Financial Statements

Year ended 31 December 2012

23 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 the revenue transacted. Segment assets are based on the geographical location of the assets.

Geographical information	Revenue US\$'000	Non-current assets US\$'000
2012		
People's Republic of China	7,921,741	214,280
South Korea	4,091	34,595
United States of America	235,019	938
Hong Kong	2,950,217	931
Indonesia	1,031,474	–
Singapore	932,242	8,151
Middle East	451,668	–
Europe	460,785	–
Malaysia	239,962	–
Other regions	580,785	–
	<u>14,807,984</u>	<u>258,895</u>
2011		
People's Republic of China	6,651,646	216,686
Hong Kong	894,557	–
Singapore	466,438	8,811
Middle East	476,575	–
Malaysia	190,448	–
Other regions	332,314	–
	<u>9,011,978</u>	<u>225,497</u>

Major customers

Revenue from an associate and related corporations of the Company for the supply of jet fuel totalled approximately US\$6,153,006,000 (2011: US\$6,154,204,000), representing 42% (2011: 68%) of the Group's total revenue.

24 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

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

Notes to the Financial Statements

Year ended 31 December 2012

24 FINANCIAL RISK MANAGEMENT (CONT'D)

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 3 (2011: 3) major customers amounting to US\$565,569,000 (2011: US\$261,848,000) which accounted for 74% (2011: 88%) of the Group's total trade receivables. 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\$114,471,000 (2011: US\$139,655,000) to an associate, which accounted for 38% (2011: 55%) of the associate's total trade receivables. Except for this receivable, there was no significant concentration of credit risk.

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 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 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.

Notes to the Financial Statements

Year ended 31 December 2012

24 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk

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

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 2011.

	Profit or loss	
	10% increase US\$'000	10% decrease US\$'000
2012		
Oil physical and paper forward contracts	(2,620)	2,620
2011		
Oil physical and paper forward contracts	1,800	(1,800)

The Group considers holding oil inventory as part of their overall trading strategy. An increase of 10% in the fair value of oil inventory would have increased profit or loss by US\$1,557,000 (2011: US\$3,821,000). A 10% weakening of the fair value of oil inventory would have an equal but opposite effect on oil inventory.

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.

Notes to the Financial Statements

Year ended 31 December 2012

24 FINANCIAL RISK MANAGEMENT (CONT'D)

Estimation of fair values (Cont'd)

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.

25 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.

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 claims from other customers have 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.

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26 ACQUISITION OF SUBSIDIARIES

On 1 March 2012, the Group obtained control of CAOHK, a company involved in the trading and supply of jet fuel to airlines at various airports, by acquiring 100% of the shares and voting rights for a consideration of HK\$91,000,000 (equivalent to US\$11,733,714).

On same date, the Group obtained control of NAFCO, an agent and wholesaler of jet fuel in the United States of America, by acquiring 100% of the shares and voting rights for a consideration of US\$4,000,000.

The following summarises consideration transferred, and the recognised amounts of assets acquired and liabilities assumed based on provisionally determined fair values at the acquisition date:

	Note	US\$'000
Property, plant and equipment	4	67
Deferred tax assets		4
Inventories		3,121
Trade and other receivables		57,455
Cash and cash equivalents		7,009
Tax payable		(446)
Trade and other payables		(53,291)
Net identifiable assets and liabilities acquired		13,919
Goodwill on acquisition	5	1,815
Cash consideration paid, satisfied in cash		15,734
Cash acquired		(7,009)
Net cash outflow		8,725

As at 31 December 2012, the Group used the carrying amount of the identifiable assets and liabilities of CAOHK and NAFCO in the calculation of goodwill. The Group will finalise their review of the purchase price allocation exercise for the new acquisitions in 2013. The impact of the exercise on the carrying amount of net assets and liabilities acquired and goodwill will be adjusted, if significant, in the financial year ending 31 December 2013.

Acquisition-related costs

The Group incurred acquisition-related costs of US\$41,000 (2011: US\$382,000) related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's income statement.

27 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Within one year	3,130	3,531	2,950	3,531
Between one and five years	855	599	855	599
	3,985	4,130	3,805	4,130

The Company leases an office under operating lease. The lease typically runs for a period of 5 years, with an option to renew the lease after that date. Lease payments are increased every 3 years to reflect market rentals based on changes in a local price index. In addition, the Company leases storage facilities and time charter oil vessels for periods ranging from 3 months to 2 years, with an option to renew the lease at the end of the respective lease term.

Subsidiaries lease office premises under operating leases. The average lease term is approximately one year, with an option to renew the lease after that date.

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28 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.

Key management personnel compensation comprises:	Group	
	2012 US\$'000	2011 US\$'000
Directors' fees	485	565
Directors' remuneration	669	830
Key executive officers' remuneration	2,911	2,146
Share-based payments	80	20
	<u>4,145</u>	<u>3,561</u>

The 2012 variable bonuses of US\$1,537,433 were approved by the Remuneration Committee on 28 February 2013 and payable on 30 March 2013.

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	
	2012 US\$'000	2011 US\$'000
Related corporation of a corporate shareholder		
Sale of jet fuel	1,216,091	1,508,299
Sale of petrochem	95,008	–
Sale of gas oil	195,764	29,939
Sale of fuel oil	–	11,368
Purchase of jet fuel	1,435,882	2,026,562
Purchase of fuel oil	–	20,081
Related corporations		
Sale of jet fuel	3,264,846	2,736,804
Sale of petrochem	7,767	–
Purchase of jet fuel	139,518	–
Associate		
Sale of jet fuel	<u>2,684,629</u>	<u>2,706,529</u>

Notes to the Financial Statements

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29 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:

Valuation of 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.

Valuation of investment in associates

The Group evaluates whether there are any indicators of impairment in the investment in associates. If there are indicators of impairment, management performs an evaluation of the investment's recoverable amount. The recoverable amount is based on the higher of value-in-use or fair value less cost to sell.

Value-in-use is estimated based on management's forecast of future cash flows discounted to present value using the pre-tax discount rate. The fair value less cost to sell requires an estimate of the market value of the investments. Significant estimates and assumptions are made in determining value-in-use and fair value less cost to sell.

Valuation of goodwill on consolidation

On an annual basis, the Group is required to perform an impairment assessment based on goodwill on consolidation. The recoverable amount is based on the higher of value-in-use or fair value less cost to sell.

Value-in-use is estimated based on management's forecast of future cash flows discounted to present value using the pre-tax discount rate. The fair value less cost to sell requires an estimate of the market value of the investments. Significant estimates and assumptions are made in determining value-in-use and fair value less cost to sell.

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.

Notes to the Financial Statements

Year ended 31 December 2012

30 SUBSEQUENT EVENTS

On 7 January 2013, the Company subscribed to additional shares issued by its subsidiary, CAOT Pte Ltd, resulting in an increase in paid up capital of the subsidiary by US\$1,000,000.

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	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Sales revenue from related corporations	–	–	3,272,613	2,736,804
Sales revenue from related corporation of a corporate shareholder	–	–	1,506,863	1,549,606
Purchases from related corporations	–	–	139,518	–
Purchases from related corporation of a corporate shareholder	–	–	1,435,882	2,046,643
Loss from trading of derivative financial instruments with related corporation of a corporate shareholder	–	–	2,983	5,295
Supply chain services rendered from related corporation	–	–	2,967	3,092
Supply chain services rendered from related corporation of a corporate shareholder	–	–	249	322
Supply chain services provided to related corporation of a corporate shareholder	–	–	588	–
Transportation revenue earned by associate from related corporations	–	–	9,939	8,987
Purchases by associate from related corporation	–	–	–	114

Statistics of Shareholdings

As at 1 March 2013

Number of Issued Shares	: 722,820,537
Number of Issued Shares (excluding Treasury Shares)	: 716,820,537 ordinary shares
Number/Percentage of Treasury Shares	: 6,000,000 (0.83%)
Class of Shares	: Ordinary Shares
Voting Rights (excluding Treasury Shares)	: 1 vote per share

Based on information available to the Company as at 1 March 2013, 28.50%⁽¹⁾ 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.

Note: (1) Percentage is calculated on the total number of 716,820,537 issued shares excluding treasury shares

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	2,668	17.25	1,286,933	0.22
1,000 - 10,000	9,779	63.23	43,318,994	7.49
10,001 - 1,000,000	3,004	19.42	112,180,833	19.40
1,000,001 AND ABOVE	16	0.10	421,469,658	72.89
TOTAL	15,467	100.00	578,256,418	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS Vickers Securities (S) Pte Ltd	369,616,037	51.56
2	BP Investments Asia Limited	144,564,119	20.17
3	DBS Nominees Pte Ltd	7,386,822	1.03
4	OCBC Securities Private Ltd	6,923,578	0.97
5	United Overseas Bank Nominees Pte Ltd	6,116,154	0.85
6	Citibank Nominees Singapore Pte Ltd	5,348,284	0.75
7	UOB Kay Hian Pte Ltd	4,205,038	0.59
8	Lee Fook Choy	2,500,000	0.35
9	Bank Of Singapore Nominees Pte Ltd	2,463,920	0.34
10	Phillip Securities Pte Ltd	2,043,116	0.29
11	HSBC (Singapore) Nominees Pte Ltd	1,872,561	0.26
12	OCBC Nominees Singapore Pte Ltd	1,657,734	0.23
13	Chng Gim Huat	1,500,000	0.21
14	Cimb Securities (Singapore) Pte Ltd	1,406,200	0.20
15	DBSN Services Pte Ltd	1,265,214	0.18
16	Kang Hian Soon	1,165,000	0.16
17	Ler Hock Seng	1,000,000	0.14
18	Lam Yew Chong	973,000	0.14
19	Citibank Consumer Nominees Pte Ltd	964,014	0.13
20	Maybank Kim Eng Securities Pte Ltd	760,787	0.11
TOTAL		563,731,578	78.64

SUBSTANTIAL ORDINARY SHAREHOLDERS

(As shown in the Register of Substantial Shareholders as at 1 March 2013)

NO.	NAME	No. of Shares		%
		Direct Interest	Deemed Interest	
1	China National Aviation Fuel Group Corporation	-	367,777,427*	51.31
2	BP Investments Asia Limited	144,564,119	-	20.17

* 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.

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 19th Annual General Meeting of the Company will be held at SHINE Auditorium, 100 Beach Road, #03-01, Shaw Tower, Singapore 189702 on Thursday, 25 April 2013 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 2012 together with the auditors' report thereon. **(Resolution 1)**
2. To declare a first and final (one-tier, tax exempt) dividend of S\$0.02 per ordinary share for the year ended 31 December 2012. **(Resolution 2)**
3. To approve Directors' Fees of S\$590,900 for the year ended 31 December 2012 (2011: S\$732,200). **(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 Zhao Shousen **(Resolution 4)**
Mr Meng Fanqiu **(Resolution 5)**
Mr Alan Haywood **(Resolution 6)**
5. To re-appoint KPMG LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

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

6. 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,

Provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of the 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 the 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);

Notice of Annual General Meeting

- (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 8)

7. 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
27 March 2013

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 23 April 2013.

Explanatory Notes:

Resolution 4 Dr Zhao Shousen will upon re-appointment, continue as Vice Chairman of the Audit Committee and as a member of the Risk Management Committee. He is considered a Non-Executive, Non-Independent Director.

Resolution 5 Mr Meng Fanqiu will upon re-appointment remain as Chief Executive Officer/Executive Director of the Company. He is considered a Non-Independent Director.

Resolution 6 Mr Alan Haywood will upon re-appointment continue as Chairman of the Risk Management Committee and as a member of the Audit Committee. He is considered a Non- Executive, Non-Independent Director.

Resolution 8 The ordinary resolution proposed in item 6 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.

Notice of Book Closure Date and Payment Date for First and 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 9 May 2013 for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 10 May 2013. 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 8 May 2013, 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 2013.

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CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

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

PROXY FORM

IMPORTANT

1. 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**.
2. 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.
3. 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.

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 19th Annual General Meeting of the Company, to be held at SHINE Auditorium, 100 Beach Road, #03-01 Shaw Tower, Singapore 189702 on Thursday, 25 April 2013 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 Zhao Shousen as a Director		
5	Re-election of Mr Meng Fanqiu as a Director		
6	Re-election of Mr Alan Haywood as a Director		
7	Auditors and their remuneration		
	Special Business		
8	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 _____ 2013

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.

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China Aviation Oil (Singapore) Corporation Ltd

中国航油（新加坡）股份有限公司

Company Registration No. 199303293Z

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