



**China Aviation Oil (Singapore) Corporation Ltd**

A Subsidiary of China National Aviation Fuel Group Corporation

**中国航油(新加坡)股份有限公司**

中国航空油料集团公司的子公司

2008 Annual Report 年度报告

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Taking Flight



## Corporate Profile

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

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

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

## 公司简介

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

CAO目前的主营业务为航油供应、油品贸易和油品相关实业投资。

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

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## 2008 in Numbers



|  |   |   |
|--|---|---|
| <p><b>Net Profit</b></p> <p>US\$ <b>38.3</b> million</p>   | <p><b>Year-on-year increase in net profit*</b></p> <p>US\$ million</p> <p><b>+14%</b></p> | <p><b>Earnings per share</b></p> <p><b>5.3</b> US cents</p> |
| <p><b>Amount of jet fuel procured and supplied</b></p> <p><b>5.2</b> million<br/>Metric tonnes</p> | <p><b>0</b><br/>Interest-bearing Debts</p>  | <p><b>Total Expenses</b></p> <p><b>-62%</b></p>             |
| <p><b>Total Assets</b></p> <p>US\$ <b>495</b> million</p>  | <p><b>Increase in Gross Profit</b></p> <p>US\$ million</p> <p><b>+96%</b></p>             | <p><b>Return on Equity</b></p> <p><b>+13.9%</b></p>         |

\* excluding exceptional gains

### JET FUEL SUPPLY & TRADING 航油供应与贸易

Supply of jet fuel into China. Our customers are airports in Shanghai, Beijing and Guangzhou.

向中国供应航油。我们的客户是上海、北京和广州的机场。

### TRADING OF OTHER OIL PRODUCTS 其他油品贸易业务

To complement CAO's core business of jet fuel supply, we have commenced trading of oil products.

为完善CAO进行航油供应的核心业务，我们开展了油品贸易业务。

### INVESTMENTS IN OIL-RELATED ASSETS 油品相关实业投资

Our investment stakes in Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd, China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd and China Aviation Oil Xinyuan Petrochemicals Co. Ltd.

我们分别在上海浦东国际机场航空油料有限责任公司、中国航油集团津京管道运输有限公司和中国航油集团新源石化有限公司持有股份。



# Chairman's Statement



# Chairman's Statement

## Dear Shareholders,

2008 was another eventful year. During this year, CAO transformed its jet procurement business from a back-to-back model into a supply optimisation model complemented by oil trading activities. CAO was also awarded the Global Trader Programme ("GTP") status by International Enterprise Singapore ("IE Singapore") for a period of five years from 1 January 2008. As a GTP company, CAO enjoys a concessionary tax rate of 10% on qualified offshore trading income.

We continued to build our core businesses and strengthened our foundation for sustainable growth, through key initiatives such as the commencement of oil trading activities, the acquisition of 49% of the equity capital of China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL") and further cooperation with our strategic investor, BP.

## CORPORATE GOVERNANCE

I joined the Board of CAO in April 2008 and succeeded Mr Lim Jit Poh as Chairman on 14 November 2008. With the resignation of Mr Lim as Chairman and Director of CAO in November 2008, we made some changes to the Board and Board Committees. Mr Ang Swee Tian was appointed as a new Independent Director in place of Mr Lim and Chairman of the Audit Committee. Mr Ang is also a member of the Nominating Committee, the Remuneration Committee and the Risk Management Committee. Mr Timothy Bullock, a BP-nominee Director who joined the Board in May 2008 to replace Mr Paul Reed, was appointed as Chairman of the Risk Management Committee. I relinquished my position as the Chairman of the Audit Committee and assumed office as Chairman of the Remuneration Committee. We warmly welcome the new members of the Board.

The appointment of Mr Meng Fanqiu as Chief Executive Officer ("CEO") on 9 May 2008 was a significant milestone for CAO. The CEO position had been vacant for more than 3 years. The appointment of Mr Meng as CEO and the concurrent disbandment of the Senior Officers Meeting (a team of senior officers of CAO responsible for conducting CAO's day-to-day affairs in the absence of a CEO) marked CAO's transition to a normal management structure. The Board is confident that Mr Meng can successfully lead CAO in its next phase of growth.

As part of the changes made to the Board and Board Committees in November 2008, the Disclosure Committee was disbanded on 14 November 2008. The Disclosure Committee was a Board committee established in March 2006 following CAO's debt and equity restructuring to ensure that CAO adheres to good corporate disclosure practices. With the disbandment of the Disclosure Committee, all material announcements are now vetted by the CEO, in consultation with the Chairman and/or the Deputy Chairman, as might be required, before release by CAO.

I am pleased to report that with the appointment of Mr Meng as CEO, CAO has successfully implemented all the recommendations of the Corporate Governance Assessment Committee ("CGAC"), a committee that was constituted in June 2005 during the restructuring of CAO. The CGAC was primarily involved in reviewing the corporate practices of CAO and in proposing improvements to its internal controls and corporate governance practices.

The resignation of Mrs Lee Suet Fern in April 2008 had put CAO under the media spotlight, as the reasons cited in Mrs Lee's resignation letter led to speculations that there might be lapses in CAO's corporate governance practices, in particular, CAO's approach to information flow and its management of decision making, review and oversight. The Board had promptly reviewed, with the assistance of external consultants, whether there were any issues with the aforesaid areas, to see what steps, if any, should be taken to enhance CAO's standards in these matters. The review has concluded that CAO is fully in compliance with the Code of Corporate Governance 2005. Nonetheless, we will continue to strive to enhance our corporate governance practices to achieve operational excellence.

## GROUP PERFORMANCE & FINANCIAL INDICATORS

Despite the global economic slowdown, the Group delivered creditable results in the financial year 2008. The Group recorded net profit attributable to shareholders ("net profit") of US\$38.3 million. Excluding the exceptional gain from the divestment of our stake in Compania Logistica de Hidrocarburos, S.A. ("CLH") in 2007, net profit increased by 14% in 2008 as compared to the previous year.



## Chairman's Statement

The Beijing Olympics boosted China's overall demand for jet fuel in 2008. In addition, China's domestic production and supply of jet fuel did not grow in tandem with the increase in demand during the year. As a result, CAO supplied 5.2 million tonnes of jet fuel, a significant increase of 24% over the previous year.

Having satisfied ourselves that robust risk management systems and processes are in place, CAO commenced jet fuel hedging and trading activities in the course of the year. We performed well in these activities as we recorded a gross profit of about US\$22.5 million from jet fuel procurement and oil trading activities for the financial year 2008 and increased the Group's profit margins.

CAO set up its petrochemicals trading team in October 2008 when we had the opportunity to inherit BP's experienced petrochemicals traders. As the team's key priority in Q4 2008 was to strengthen internal operational systems, kick-start the business and secure contracts for 2009, profit contribution from the petrochemicals trading business for 2008 was not significant. This business is expected to contribute more significantly to CAO's revenue and profit in 2009.

Our 33% stake in Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA") continues to be a main profit contributor, accounting for about 27% of the Group's net profit. The jet fuel inventory accumulated in the run up to the Beijing Olympics has impacted SPIA's profitability this year, the details of which are given in the Chief Executive Officer's Review. As we grow our trading business and invest in more synergetic assets, we expect SPIA's contribution to decline proportionally in future.

During the year under review, CAO announced the acquisition of 49% of the equity capital of TSN-PEKCL. Not only is this asset synergetic to our business, it is also strategic in nature, as it is a unique asset in the PRC. TSN-PEKCL has

the exclusive rights to transport jet fuel from Tianjin Nanjiang Port to Beijing Capital International Airport ("Beijing Airport") and Tianjin Binhai International Airport via its underground pipeline, which is currently the most cost-effective and cost-efficient means of transporting jet fuel to Beijing Airport. There is also good potential of maximising the transportation capacity of the pipeline. We expect TSN-PEKCL to provide a steady income stream to CAO from its pipeline transportation business going forward.

The Group's balance sheet remains strong and healthy. Net assets as at 31 December 2008 stood at US\$276 million. We have a healthy cash reserve of US\$153 million. Net asset value per share increased from US\$0.3716 in 2007 to US\$0.3814 in 2008.

### DIVIDENDS

In view of the Group's financial performance, I am pleased to advise that the Board has recommended a first and final dividend of S\$0.02 per share for shareholders' approval at the forthcoming Annual General Meeting of CAO. This translates into a payout ratio of 26% and a dividend yield of 2.6% as at 31 December 2008. For the past 3 years, CAO has maintained a dividend payout ratio of at least 26%, affirming CAO's commitment towards a consistent payout to shareholders.

### ACCOLADES

As a testimony to our tireless efforts to achieve excellence in our business and operations, I am pleased to report that CAO was conferred an award by IE Singapore for ranking in 9th position in the 2008 Singapore International 100 Ranking based on Singapore companies' overseas revenue. CAO bagged an award from Yazhou Zhoukan – a Chinese language international affairs news weekly – for ranking as one of 2008 Top 10 Enterprises in Singapore – a ranking based on the revenues of Chinese enterprises. CAO also bagged an



Left: EGM held in January 2009 in relation to acquisition of TSN-PEKCL.

Right: CAO supplied a record high of 5.2 million tonnes of jet fuel in 2008.

# Chairman's Statement

award from China National Aviation Fuel Group Corporation ("CNAF"), its parent company, in recognition of its remarkable efforts not only in ensuring assured jet fuel supply during the Beijing Olympics but also for maintaining a consistently high standard of jet fuel quality and timely deliveries.

## ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude to former Chairman, Mr Lim Jit Poh. Following the successful restructuring of CAO and its business with a proper corporate governance structure and management team in place as well as the appointment of the CEO, Mr Lim had felt that it was timely for him to step down as CAO embarks on the next phase of development. Mr Lim has been an outstanding Chairman. During his tenure, Mr Lim had worked tirelessly for the good of CAO. His extensive experience, wisdom and stature had helped CAO emerge from restructuring successfully. It was with much regret and reluctance that the Board had accepted his resignation. For continuity, the Board has decided to appoint him as Senior Advisor for one year following his resignation.

I would also like to thank Mrs Lee Suet Fern, who resigned from the Board during the year, for her valuable contributions to the Group. Our sincere appreciation also goes to Mr Paul Reed, a BP-nominee Director who stepped down in May 2008 due to changes in his responsibilities within the BP Group. We have benefited tremendously from his extensive knowledge and experience in the global oil and gas industry.

CAO is very fortunate to have dedicated Directors who have worked hard to lead CAO, and I would like to take this opportunity to thank them for their ongoing contribution and commitment.

To our customers, business partners and associates, I am very appreciative of your support, understanding and assistance to us. In particular, I would like to thank our customers in the PRC who have demonstrated strong support and kind understanding to us as we transform our jet fuel supply business model.

I am also very grateful to CAO's parent company and strategic investor, namely CNAF and BP for their strong support. They have played an instrumental role in the formulation and implementation of our strategy. CNAF has demonstrated unstinting support to CAO with its injection of 49% of the equity capital of TSN-PEKCL, while BP has continually provided generous assistance to CAO to help us strengthen our trading capabilities and risk management systems and processes.

To our loyal minority shareholders, thank you for your support and confidence in us. We will continue to work hard to grow CAO and enhance shareholder value.

The management and staff, led by Mr Meng Fanqiu, have worked hard to develop and grow the businesses of CAO. They have done a commendable job and I wish to thank them for their dedication and good work.

## OUTLOOK & CONCLUSION

We expect 2009 to be a challenging year. Following the surge in demand for jet fuel in 2008 due to the Beijing Olympics, China's demand for jet fuel is forecasted to slow down this year, but is expected to continue its positive growth trend. Global demand for other oil products is also expected to slow down in tandem with the economic slowdown, while oil markets are expected to remain volatile. The trading landscape is expected to change as some banks may cease oil-trading activities and larger trading companies may increase trading volumes. Small oil companies may face liquidity issues. However, such market conditions should provide more trading opportunities for companies with competitive advantages such as ours. With a strong balance sheet and robust risk management systems in place, I am confident that CAO will be able to ride out the current economic downturn. We will also take this opportunity to strengthen our capabilities and grow our oil trading business.

The global economic slowdown will also create opportunities for CAO to seek investments in synergetic oil-related assets. CAO will work to identify opportunities in the upstream, midstream and downstream segments to complement our existing businesses. We will manage our capital expenditures with due diligence and prudence.

CAO has made significant progress in implementing its strategy and laying the groundwork for future growth, but much work still needs to be done. With a good team in place and support from its shareholders, I am very confident that CAO will continue to forge ahead to achieve its goal of becoming an international oil trading company integrated with synergetic oil-related assets.

**Dr Wang Kai Yuen**

Chairman

# 董事长致辞

## 尊敬的各位股东：

2008年是公司又一个重要之年。CAO在这一年当中将背对背的航油业务模式转变为以油品贸易为补充的供应优化业务模式。2008年1月1日起，新加坡国际企业发展局授予CAO“全球贸易商”资格，CAO的合格离岸贸易收入将享有10%的优惠税率，为期5年。

通过实施一些重要举措，例如开始油品贸易、收购中国航油集团津京管道运输有限责任公司(简称“管输公司”)49%的股权、进一步和公司的战略投资者BP合作等，进一步提升了公司的核心业务，夯实了可持续发展的基础。

## 公司治理

2008年4月，我加入了CAO董事会。同年11月14日，在林日波先生辞去董事长和公司董事的职位后，我继任董事长一职。我们也对公司董事会和董事会各委员会进行了一些调整。汪瑞典先生接替林先生担任新的独立董事，并担任审计委员会主席，同时他还是提名委员会、薪酬委员会和风险管理委员会成员之一。BP的提名董事Timothy Bullock先生于2008年5月接替Paul Reed先生，担任风险管理委员会主席，而我卸下审计委员会主席职务，并担任薪酬委员会主席。我们热烈欢迎董事会新成员的加入。

2008年5月9日，孟繁秋先生被任命为CAO的首席执行官(简称“CEO”)，这对CAO来说具有里程碑意义，因为公司的CEO职位已经空缺了3年。孟先生担任公司的CEO，以及高级办公会议(在公司CEO缺席情况下执行CAO的日常事务)同时解散，标志着CAO已经过渡到了正常的管理结构。董事会相信，孟先生能够成功地引领CAO走向下一个成长阶段。

根据2008年11月公司对董事会和董事会各委员会作出的调整，披露委员会于2008年11月14日解散。2006年3月，在CAO的债务和股权重组实施后，披露委员会成立，主要目的是保证CAO能够坚守良好的公司披露原则。披露委员会解散后，所有重要公告都需由CEO审批，并在必要时和董事长、副董事长协商修正后，再由CAO发布。

我很高兴地告诉大家，在孟先生就任公司CEO后，CAO已成功落实了公司治理评估委员会(简称“CGAC”)的各项建议。2005年，CAO在重组期间成立了CGAC，主要是为了审查CAO的公司行为，对公司内部控制和公司治理行为提出改善意见。

2008年4月，林学芬女士辞职，林女士辞呈中引述的原因引起了外界猜测CAO的公司治理行为，尤其是公司信息流通，以及对于决策、审查和监督的管理方式可能存在缺陷，一度使得媒体高度关注CAO。在外部咨询顾问的协助下，董

事会迅速对公司的上述潜在问题进行审查，以采取必要措施改善CAO的不足之处。审查的最终结果是：CAO完全遵守《2005公司治理守则》。尽管如此，CAO仍将继续努力提升自身的公司治理行为以完善公司的运营。

## 业绩评估和财务指标

尽管世界经济处于低迷状态，集团在2008年仍然取得了令人瞩目的成绩。集团可向股东分配的净利润(简称“净利润”)为3830万美元。除去在2007年出售CLH股权所得的收益之外，和上年相比，2008年公司的净利润同比增长约14%。

北京奥运会大幅增加了2008年中国航油的整体需求。此外，中国国内的航油生产和供应并未相应上升，因此，CAO全年共向中国供应了520万吨航油，和上年相比增长率高达24%。

在良好的风险管理体制和流程到位的基础上，CAO已于2008年开始了航油套保和贸易活动。由于航油的套保和贸易活动业绩表现良好，2008财年由航油供应和油品贸易产生的毛利额为2250万美元，集团的利润率也因此得以提高。

2008年10月，CAO成立了石油化工品贸易组，吸收了BP经验丰富的化工品贸易员。化工品贸易组在2008年第4季度的主要任务是强化内部运作体制、启动业务和锁定2009年的业务合同，所以对集团的盈利贡献不大，预计在2009年，化工品贸易组的业绩在CAO盈利所占的比例会有所提高。

CAO持股33%的上海浦东国际机场航空油料有限责任公司(简称“浦东航油”)仍是我们的主要利润来源，占集团净利润的27%。但是今年北京奥运会前后浦东航油的累积库存影响了其利润，具体细节请参看本年报“首席执行官报告”。由于我们在扩大贸易业务，同时积极投资更具业务协同性的资产，因此我们预计未来来自浦东航油的利润会按比例相应减少。

回顾过去一年，CAO还公告了收购管输公司49%的股权。该资产不仅对我们的业务具有协同性，同时还是中国国内非常独特的战略资产。管输公司独家拥有从天津南疆码头通过其地下管道向北京首都国际机场和天津滨海国际机场运输航油的权利，是目前向北京机场运输航油成本最低、效率最高的方式，同时该管道还有进一步增加其运输量的潜力。预计未来管输公司的管道运输业务将会给CAO带来稳定的收益来源。

集团的资产负债状况良好。截至2008年12月31日，净资产为2.76亿美元。我们有充足的现金储备，现金储备为1.53亿美元。每股净资产值从2007年的0.3716美元增长到2008年的0.3814美元。



# 董事长致辞

## 股息

鉴于2008年集团的财务业绩良好，我很高兴地告诉大家，董事会已建议派发每股2分新元的第一和最终分红，并请在即将召开的常年股东大会上批准。截至2008年12月31日，本次派息率约为26%，股息收益率为2.6%，过去三年里，CAO的派息率始终保持在26%以上，实现了CAO对股东保持一定派发率的承诺。

## 获奖

我们为取得经营和运作方面的卓越成绩而不懈努力，也获得了肯定，我很高兴地告诉大家，2008年，CAO荣获了新加坡国际企业发展局颁发的荣誉奖，名列新加坡国际企业在海外收入方面100强中的第9名。CAO还荣获中文国际时事新闻期刊《亚洲周刊》新加坡地区2008年十大华商企业荣誉奖。同时由于在北京奥运航油保障供应期间提供的航油质量高、供应及时，做出了突出贡献，CAO还获得了母公司中国航空油料集团公司(简称“CNAF”)的嘉奖。

## 致谢

我想借此机会代表董事会对前任董事长林日波先生表达衷心的感谢。公司成功重组后，CAO有了良好的公司治理结构和管理团队，并且已任命了首席执行官，CAO进入了新的发展时期，因此林日波先生认为已是时机辞去董事长一职。林日波先生在任期间，为CAO做出了巨大贡献。林先生经验丰富、知识广博、思维开阔，极大地帮助了CAO成功重组。董事会很遗憾也不情愿地接受了林先生的辞呈。同时，为了顺利过渡，董事会决定，在林先生辞职后仍聘请他担任公司高级顾问，为期一年。

同时我还想对林学芬女士表达谢意，她在2008年辞去了在公司董事会的职务。林女士对集团做出了宝贵的贡献。我还要感谢BP的提名董事Paul Reed先生，由于他在BP集团的职务变更，于2008年5月辞去了CAO董事一职。Paul Reed先生在全球石油和天然气领域经验丰富、知识面广，这也使我们受益良多。

CAO有幸能有如此敬业的董事，他们一直尽职地领导CAO，在此，我想对他们为CAO做出的持续不懈的努力和贡献表示感谢。

而对我们的客户和业务伙伴，我要感谢他们对CAO的支持、理解和帮助。我要特别感谢我们在中国的客户，对我们转变航油供应业务模式表示理解并给予了我们有力的支持。

我还要感谢CAO的母公司CNAF和战略投资者BP给予我们坚定的支持。他们在CAO制定和落实战略的过程中发挥了极重要的作用。CNAF对CAO给予慷慨支持，将管输公司49%的资产注入CAO，而BP则一如既往地大力协助CAO增强贸易能力和风险管理体系和流程。

我也要感谢我们忠实的小股东们对CAO的支持和信任。我们会继续努力经营CAO，为股东创造价值。

CAO的管理层和全体员工在首席执行官孟繁秋先生的领导下，努力拓展CAO的业务。在此，我想对他们杰出的工作、突出的成果和尽职的精神表示感谢。

## 结束语

2009年将是极具挑战性的一年。2008年，由于北京奥运会中国航油需求增加，预计2009年中国对航油的需求会放缓，但还会继续保持积极的增长趋势。由于经济不景气，预计全球对其他油品的需求也会放缓，同时石油市场的不稳定性将会持续。由于一些银行可能会停止油品贸易活动，而一些较大的贸易公司可能会增加交易量，一些小公司也可能面临资金流动性的问题，所以我们的贸易环境也会相应改变。不过，这样的市场条件反而会给我们这样具有竞争力的公司提供更多的贸易机会。我相信在稳健的资产负债表和严谨的风险管理体制到位的前提下，CAO能够顺利渡过当前的经济衰退。我们还会借此机会继续增强我们的能力，扩大油品贸易业务。

全球经济衰退还会为CAO提供协同性实业投资机会。CAO会继续寻找上、中、下游的投资机会，以补充我们的现有业务，同时严谨审慎地控制我们的资本支出。

CAO在落实既定战略方面已取得了长足的进步，并为未来的增长打下了坚实的基础，然而，我们仍然任重道远。我坚信，有了一个好的团队和股东的大力支持，CAO一定能够继续勇往直前，实现我们的目标：成为一个具有协同性实业投资的国际石油贸易公司。

## 王家园博士

董事长

## Chief Executive Officer's Review





# Chief Executive Officer's Review

## Dear Shareholders,

2008 was a notable year in the history of CAO. During the course of the year, CAO established a new corporate strategy following its restructuring and successful transition to a normal corporate governance structure. CAO's jet fuel supply volume for FY2008 hit a record high. CAO also encountered the unprecedented global financial crisis which posed significant challenges to its implementation of strategy.

I am pleased to report that with the support and understanding of our shareholders and under the astute leadership of the Board of Directors, the Management led the employees to proactively adapt to market changes and respond to the global financial crisis and economic slowdown. We have steadily rolled out CAO's strategy, further improved our corporate governance practices and strengthened our risk management systems.

CAO delivered respectable results for FY2008 notwithstanding the financial crisis. CAO recorded sales revenue of US\$5.4 billion in 2008, a significant increase of 82% compared to 2007. Net profit attributable to shareholders ("net profit") for FY2008 was US\$38.3 million, an increase of 14% excluding the gain from the sale of Compania Logistica de Hidrocarburos, S.A. ("CLH") stake in 2007. CAO is in a good financial position with a healthy balance sheet and sufficient cash reserves.

Key drivers of our net profit growth included an increase in gross profit, lower expenses and tax write-backs. Our results were adversely affected by a significant decline in profit contribution from our associated company, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA").

CAO was included as a component stock in the new FTSE-STI China Top Index launched in 2008. CAO was conferred an award by International Enterprise Singapore ("IE Singapore") for ranking 9th in the 2008 Singapore International 100 Ranking based on Singapore companies' overseas revenues. CAO also regained its status as a member of the Global Trader Programme ("GTP") administered by IE Singapore with effect from 1 January 2008, thus allowing the Company to enjoy significant tax savings on its qualified trading income.

## EFFECTIVE IMPLEMENTATION OF STRATEGY

### Jet Fuel Supply Volume Hit All-Time High

Jet fuel supply and trading is one of the core businesses of CAO. CAO procured and supplied 5.2 million tonnes of jet fuel to the PRC, which was an all-time high and marked an increase of 24% compared to 4.2 million tonnes in 2007.

2008 was the year of the Beijing Olympics and being a key player in the jet fuel supply industry of the PRC, it was of utmost importance to CAO ensure reliable and timely deliveries of jet fuel to the key international airports in the PRC. CAO launched a comprehensive jet fuel supply assurance mechanism on 1 June 2008. Through 5 months of hard work and high service quality, CAO successfully assured the quality, timely delivery and quantity of jet fuel to the PRC during the Olympics season. Our customers and other industry players in the PRC lauded our effective efforts and services. CAO bagged an award from our parent company, China National Aviation Fuel Group Corporation ("CNAF") for our efforts.

### Transformation of Jet Fuel Supply Model, Breakthrough in Resumption of Trading

I am pleased to advise that CAO successfully transformed its jet fuel supply model in 2008 and fully resumed trading activities in the same year. Our trading activities were profitable in our first year of resumption of trading.

In 2008, CAO completed FOB tenders and chartered 36 vessels. Not only did CAO benefit from gains derived from freight optimisation, the Company was also able to establish closer relationships with the refineries. During the year, CAO entered into jet fuel supply term contracts with PRC receivers and began to procure jet fuel directly from refineries through term contracts.

CAO commenced hedging activities during the year under review and entered into ISDA agreements with several counterparties, thus strengthening its capability in paper trading. We achieved optimisation by combining hedging with our physical trades, which enabled us to seize profitable trading opportunities whilst adhering to strict risk controls. In 2008, CAO completed 8 shipments or 2 million barrels of jet fuel hedging activities. CAO's hedging and freight optimisation efforts have yielded results. Gross profit for FY2008 grew 96% to US\$22.5 million, a faster rate of increase than the 24% increase in jet fuel supply volume, due to gains from trading, hedging and freight optimisation activities.

CAO established its petrochemicals trading team and successfully commenced petrochemicals trading business by the end of 2008. Not only did the commencement of petrochemicals trading expand the scope of CAO's trading business and diversified its earnings base, it also marked a significant step for CAO as it progresses from trading purely jet fuel to other petroleum products.



# Chief Executive Officer's Review

## Accelerated Progress of Assets Investment and Strengthened Management of Associated Companies

In 2008, CAO and CNAF entered into relevant agreements for CAO to acquire 49% of the equity capital in China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL") from CNAF. We have attained all necessary approvals from authorities in the PRC and Singapore and completed the acquisition in early 2009. This acquisition is in line with CAO's developmental strategy and it is another good quality asset following our investment in SPIA. TSN-PEKCL is expected to contribute a relatively stable annual income to CAO henceforth.

2008 was a challenging year for our associated company and key profit contributor, SPIA. SPIA incurred a net loss of about US\$35 million in 4Q 2008, mainly due to higher procurement costs vis-à-vis sales revenue. The sharp decline in oil prices since September 2008 resulted in much higher procurement costs for SPIA in 4Q 2008 as such costs were valued on a weighted average basis. The downward adjustment to the sales prices of PRC domestic flights in December 2008 further impacted the results of SPIA. Based on information by the Management of SPIA, we expect the loss in 4Q 2008 to be exceptional as oil prices have been falling since 4Q 2008 and the inventory procured during the period of high oil prices is expected to be fully consumed by 1Q 2009.

In addition, SPIA incurred higher interest expenses in FY2008 as the significant increase in jet fuel prices in the earlier part of the year had led to higher trade receivables, which resulted in increased bank borrowings to fund working capital requirements. SPIA also suffered higher exchange losses due to the strengthening of the Renminbi against the US dollar. Further, SPIA has provided a higher tax rate of 18% (as compared to 15% in previous years) due to the unification of China's corporate tax rate with effect from 1 January 2008.

As a result of the aforesaid factors, CAO Group's share of results in SPIA for FY2008 was US\$10.4 million compared

to US\$25.5 million for FY2007, a decline of about 59%. Nonetheless, SPIA still contributed about 27% to CAO's net profit for FY2008. For the current financial year, CAO will proactively help SPIA to evaluate its inventory management processes to manage market risks. We will also assist SPIA to expedite the repayments of trade receivables.

CAO's other associated company, China Aviation Oil Xinyuan Petrochemicals Co., Ltd ("Xinyuan") made its historical turnaround in FY2008. Currently, we are holding discussions with Xinyuan's controlling shareholder Shenzhen Juzhengyuan Petrochemicals Co., Ltd on further plans to improve Xinyuan's operations.

We ironed out details of our investment strategy for the next 3 years, established information channels and proactively scouted for asset investments that are in line with CAO's strategy.

## Significant Breakthrough on Cooperation with BP

CAO and BP Singapore Pte Ltd ("BPS") entered into an interim trading agreement in December 2008. The Business Cooperation Agreement is temporarily suspended during the tenure of the interim trading agreement.

Under the interim trading agreement, BPS, as one of CAO's fixed term supplier, will supply a portion of CAO's monthly jet fuel requirements for onward supply to the PRC. CAO will source for the remaining jet fuel requirements through various means such as term contracts, regular tenders and spot tenders. Our new cooperation with BPS will enable CAO to enjoy more flexibility in its jet fuel procurement methods and create more trading opportunities for CAO. It also marks a new phase of cooperation between CAO and BPS.

CAO and BPS are currently negotiating a long term strategic cooperation arrangement that will be complementary and win-win for both parties.



Left: China is still one of the most buoyant economies in the world and its demand for jet fuel will continue to grow in tandem.

Right: Hedging and freight optimisation yielded results as gross profit for FY2008 grew 96%.

# Chief Executive Officer's Review

## **FURTHER IMPROVED CORPORATE GOVERNANCE AND MANAGEMENT STRUCTURE**

On 9 May 2008, I was appointed the Chief Executive Officer ("CEO") of CAO and the Senior Officers Meeting was concurrently disbanded. These changes marked the end of a successful 2-year transition period since CAO resumed the trading of its shares on the Singapore Exchange on 29 March 2006.

The Management Committee, which comprises senior officers of the Company and led by myself, was established after my appointment, to deliberate on important operational issues of the Company and to assist me in the implementation of the Board's decisions.

During the year under review, the Company formulated and amended several important policies to improve and strengthen internal controls and management practices.

## **FURTHER STRENGTHENED RISK MANAGEMENT PRACTICES TO COPE WITH FINANCIAL CRISIS**

Risk management is an important cornerstone of CAO's operations and it is an area where we have continuously strived to further improve and strengthen. During the year under review, our Risk Management Manual was revised and implemented. Separate risk limits were set for each business and actively monitored. The Risk Management Department, which has a separate direct reporting line to the Board's Risk Management Committee ("RMC"), sends out daily risk reports to the Management. Monthly updates are sent to the RMC.

Tests and improvements to our risk management system were completed before CAO embarked on new business activities. We also launched an Enterprise Risk Management exercise, which was a structured and coordinated company-wide governance approach to identify, quantify, respond to and monitor the risks of consequences of potential events.

In view of the financial crisis, we adopted a more cautious approach by trading with different banks and counterparties to spread risks. At the same time, we scaled down paper trading and hedging activities. We have also improved the credit evaluation process of potential counterparties and have assigned ratings to all counterparties. We have obtained more credit facilities and increased the types of instruments to mitigate credit risks.

## **RESOLVED TAX ISSUES AND LOWER EXPENSES**

CAO received confirmation from the Inland Revenue Authority of Singapore ("IRAS") in 3Q 2008 that (i) losses from speculative

options trading in 2004 of approximately US\$530 million could be set off against future assessable profits from the year of assessment 2005; and (ii) the gain of US\$192 million from the waiver of debts by creditors in 2006 would not be taxable. Accordingly, CAO reversed tax provisions of approximately US\$3.5 million provided for in the previous years. The Group also received a tax refund of US\$1.4 million from IRAS following its successful claim for group loss relief against the previous years' profits of its wholly owned subsidiary, CAOT. With this, CAO's tax issues have been fully resolved. Based on CAO's current profits and effective tax rate, we estimate that tax credits from losses carried forward will be fully utilised in about 8 years' time.

Our total expenses have fallen for the second consecutive year. As a result of interest savings from the early full repayment of debt owed to Scheme Creditors in 2007 and a reversal of impairment loss on leasehold properties, CAO's total expenses in FY2008 fell sharply by 62% to US\$5.4 million. Going forward, we will continue to tighten our control on operating costs in 2009 through various cost control measures.

## **OUTLOOK FOR 2009: WORKING TOGETHER TO SCALE GREATER HEIGHTS**

CAO is facing the most challenging macro environment and external conditions since the completion of its restructuring. The impact of the global financial crisis will continue to be felt in the economy. Fewer counterparties, banks tightening credit facilities and China's demand for jet fuel growing at a slower rate are challenges to CAO's implementation of its strategy.

Nevertheless, the fundamentals of China's economic development remain intact. China is still one of the most buoyant economies in the world and its demand for jet fuel will continue to grow in tandem. The current financial crisis will provide more opportunities for CAO to invest in assets. So long as CAO leverages on the unique advantages of its businesses, I believe CAO will continue to grow amidst these challenges.

In 2009, we established the strategy of "respond proactively to the crisis and transform challenges to opportunities." CAO will continue to adopt a prudent trading strategy that is focused on jet fuel supply and trading. We will commence trading of other oil products, tankage leasing and freight optimisation to develop our capabilities in paper trading and to provide value added services for our suppliers and customers. We aim to gradually increase our trading volumes and market share through a diversified trading model.

## Chief Executive Officer's Review

To mitigate the negative impact of China's slowing jet fuel demand growth on our business, our expansion plans for the trading business will focus on increasing our jet fuel sales beyond the PRC and commence trading of other oil products. This will also lay the foundation for the transformation of CAO's business.

In 2009, we will continue to identify assets that are synergetic to jet fuel supply and trading. This includes refineries, pipelines, tankages, jetties and other logistics facilities that will serve to expand our jet fuel refuelling business. We will also adopt an innovative approach to the management of our investments and increase the depth of our management of associated companies.

CAO will further strengthen its risk management infrastructure. We view risk management as a key characteristic of our operations and we will continue to develop our risk management capability such that it becomes a competitive advantage for CAO.

We are also committed to continuously improve our corporate governance and transparency standards and strengthen our internal policies.

Challenges can be translated into opportunities. I firmly believe that with the strong support of shareholders under the able leadership of the Board, so long as we work together, diligently implement our developmental strategy with innovation as the driving force and stringent control of risks, CAO will be able to successfully conquer all challenges. We will strive to break new grounds and deliver better performance with the aim of increasing shareholder value.

### ACKNOWLEDGEMENTS

Hereby, I would like to express my sincere appreciation to all the shareholders of CAO. CAO would not have been able to return on track without the understanding and support of its shareholders. I am particularly grateful to our parent company,

CNAF for its unstinting assistance and support in many aspects, not least through ensuring the stability of CAO's jet fuel import business and asset injection. My gratitude also goes to BP for its generous support and guidance to CAO by sharing its expert knowledge in trading and risk management as we embark on oil trading activities.

I am very thankful to the Directors for their excellent work in the past year. CAO has benefitted tremendously from their wealth of experience, decisiveness, objectivity and fairness. I would like to pay a special tribute to our former Independent Chairman, Mr Lim Jit Poh. Mr Lim had put in painstaking efforts to the rebuilding and redevelopment of CAO. His constructive work laid the foundation for CAO's development post-restructuring. I would also especially like to thank Dr Wang Kai Yuen, who replaced Mr Lim as Independent Chairman. His patient guidance and down-to-earth working style has enabled the Company and myself to benefit from his extensive knowledge, wealth of experience and noble character.

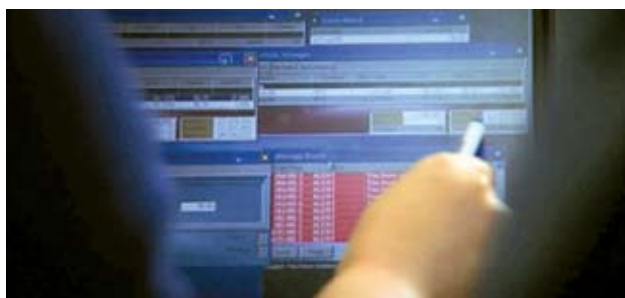
I wish to thank to the government agencies and regulatory agencies in Singapore and the PRC for their assistance and guidance in regulatory and compliance issues.

I am also grateful to the support of CNAF Corporation Ltd. and other key business partners for your support. I look forward to deepening our cooperation in the coming year.

Last but not least, I sincerely thank all my colleagues at CAO for their cooperation, understanding and support in my work.

### Meng Fanqiu

Chief Executive Officer/Executive Director



Left: It is of utmost importance to CAO to ensure reliable and timely deliveries of jet fuel to our customers.

Right: CAO will further strengthen its risk management infrastructure.



# 首席执行官报告

## 尊敬的各位股东：

2008年是中国航油(新加坡)股份有限公司(简称“CAO”或“公司”)发展史上值得深刻记忆的一年。在这一年，我们确立了重组后公司新的发展战略，公司治理全面进入正常，航油采购量达到历史最高水平。同时，我们也遇到了百年不遇的全球性金融危机，给有效实施发展战略带来了巨大挑战。

值得高兴的是，在股东的大力支持和理解下，在董事会的正确领导下，CAO管理层带领全体员工，主动适应市场变化，知难而进，积极应对全球金融危机和经济衰退，坚定不移地实施公司发展战略，持续改进公司治理，加强风险管理控制。

在全球金融危机的大环境下，CAO在2008财年还是取得了不俗的经营业绩。2008年实现销售收入54亿美元，相比2007年同期增长82%；净利润3830万美元，扣除2007年出售CLH因素，净利润增长了14%。公司有较充足的现金，财务状况良好。

但由于联营公司上海浦东国际机场航空油料有限责任公司(简称“浦东航油”)的并帐利润大大减少，公司的业绩受到了一定的影响。由于公司的毛利额增长、费用得到有效控制并有税款冲回，净利润也相应增长。

CAO股票已入围2008年起采用的富时海峡时报中国TOP指数；在新加坡国际企业发展局(简称“企发局”)开展的2008年度“新加坡国际企业100强”评选中，CAO名列第9位；从2008年1月1日起，CAO重新获得了企发局授予的“全球贸易商计划”成员资格，这使公司在贸易收入方面能够获得很大的税收节省。

## 发展战略得到有效实施

### 航油采购创历史最高

航油供应及贸易是公司的核心业务，公司为中国用户采购供应航油520万吨，比2007年420万吨上升了24%，为历史最高。

需要特别指出的是，2008年是中国奥运年，作为中国航油供应市场的重要参与者，CAO需要保证在奥运期间能够可靠并及时地将航油供应至中国主要的国际机场。CAO从2008年6月1日开始全面启动奥运航油供应保障机制。通过近5个月的艰苦工作与优质服务，确保了北京奥运期间进口航油的质量、船期和数量，公司高效负责的工作态度和积极有序的工作作风，赢得了中国用户和业界好评，受到母公司—中国航空油料集团公司(简称“CNAF”)的表彰。

### 采购模式发生重大改变，恢复贸易取得突破

我很高兴地向股东报告，2008年公司积极推进采购模式转变和全面恢复贸易，实现“当年启动、当年赢利”。

2008年，公司完成FOB招标并自行租船36航次，不仅获取船运优化收益，而且还与炼油厂建立了更加紧密的合作关系。公司与中国客户和供应商签订了航油长期供应合同，实现了与炼油厂以长期合同方式的直接采购。

公司也积极开展套期保值业务，与多个对家签署了国际掉期与衍生工具协会协议，增强了公司纸货交易能力。在套期保值过程中，结合实货进行优化，抓住贸易机会，在严格风险控制的基础上稳健地获得贸易利润。2008年共完成了8船航油共计200万桶的套期保值业务。CAO的套保和航运优化业务已开始盈利。由于航油贸易、套保和航运优化业务盈利，2008财年的毛利额增长至2250万美元，同比上升96%，高于同期航油供应量24%的增长率。

公司顺利完成了化工品贸易团队组建及各项前期准备工作，并在2008年底前启动了化工品贸易业务。开展化工品贸易不仅拓展了公司的贸易领域和盈利渠道，同时也标志着CAO从单纯的航油业务向多品种化工品贸易转变迈出了可喜的一步。

### 大力推进实业投资，加强投资企业管理

2008年CAO和CNAF签署相关协议，由CAO收购中国航油集团津京管道运输有限责任公司(简称“管输公司”)49%股权。在2009年初已完成中新两地所有审批程序和交割工作。收购管输公司49%股权项目符合CAO的发展战略，使CAO继浦东航油之后又获得了一项优质资产，今后每年又将有相对稳定的收入来源。

2008年对我们的联营公司、重要的利润贡献者浦东航油来说是极具挑战性的一年。浦东航油亏损约为3500万美元，主要是由于其采购成本大于销售收入，产生收支倒挂。自2008年9月以来，油价大幅下跌，导致2008年第四季度浦东航油采购成本远大于加权平均计算的销售成本。而2008年12月国内航线销售价格的下调又进一步加剧了浦东航油的亏损。根据浦东航油管理层的看法，由于自2008年第四季度以来油价持续下跌，而在高油价期间购买的航油会在2009年第1季度全部消耗完，因此2008年第四季度的亏损预期属于特殊情况。

此外，浦东航油在2008年的利息费用也大幅上升，这主要是由于2008年初时航油价格较高，导致应收账款数额上升，资金占用过多，增加银行借款以满足营运资本的需求。同时，由于人民币兑美元的汇率不断上升，浦东航油也发生了汇兑损失。此外，中国于2008年1月1日起逐步统一内外资企业所得税率，受此影响，浦东航油计提所得税率由之前的15%调整至18%，所得税费用增加。

# 首席执行官报告

基于以上原因，浦东航油在2008年的净利润贡献为1040万美元，而2007年为2550万美元，同比下降59%。但在2008财年，浦东航油还是对CAO的净利润贡献了27%。在本财年里，CAO积极协助浦东航油研究其库存管理流程，控制市场风险。我们还帮助浦东航油加快了应收账款的返还进度。

2008年，CAO的另一家联营公司中国航油集团新源石化有限公司(简称“新源”)历史性地实现扭亏为盈。目前，我们正在与新源大股东—中国深圳巨正源石化公司研究持续改善新源经营的方案。

我们明确了2009年实业投资策略和三年投资规划，构建投资信息渠道，也在积极寻找符合公司发展战略的实业投资项目。

## 与BP合作取得重大突破

2008年12月，经多轮磋商，CAO与BP新加坡公司私人有限公司(简称“BPS”)达成了一项新的临时贸易协议。在临时贸易协议有效期间，原来的业务合作协议暂时停止执行。

根据这项新协议，BPS将作为CAO航油业务固定供应商之一，每月根据中国国内客户需求向CAO供应部分航油，其余部分由CAO以招标与谈判的方式通过长期合同、定期招标、临时采购等多种方式进行，使公司的采购模式更加灵活，拓展了贸易空间，标志着CAO与BPS的贸易合作进入了一个新阶段。

目前，双方正在就进一步长期战略合作进行商谈，实现优势互补，共赢发展。

## 完善公司治理，改进管理结构

公司董事会于2008年5月9日正式任命我就任公司的首席执行官(简称“CEO”)，同时解散了高级办公会议，这标志着CAO自2006年3月29日在新加坡证券交易所恢复上市以来，长达2年多的过渡时期划上了圆满的句号。

在我上任后，公司成立了由我本人领导的由公司高级管理人员组成的管理委员会，来协助CEO执行董事会的决定，研究解决日常经营过程中的重大事项。

在2008年，公司制定、修订了一系列规章制度，以加强公司内部控制和管理实践。

## 进一步加强风险管理控制，积极应对金融危机

风险管理是CAO运营的一个重要基石，这也是我们在不断努力改善和加强的部分。在本年度里，我们对风险管理手册进行了修改和落实，并对每项业务都按照设定的风险限额进行监控。风险管理部门直接向董事会的风险管理委员会报告，向管理层进行每日风险报告，每月向风险管理委员会发送月度风险报告。

CAO在完成了风险管理系统的测试和改进才会开展新业务。同时我们还在全公司全面开展了企业风险管理活动，以识别、量化、应对和监控全公司范围内存在或潜在风险的结构和协调方式。

针对金融危机，我们采取了更加谨慎的方式，与不同银行和对家进行交易，分散风险。同时，我们减少了纸货规模，缩小套期保值业务。我们也加强了对交易对家的信用评估，完成了对所有贸易对家的信用等级评定，并以此确定了对不同信用等级贸易对家的信用政策。争取更多的信用工具，增加信用风险消除工具的种类。

## 解决历史税务遗留问题，减少经营费用

新加坡国内税务局2008年第3季度发函表示：(1)允许公司从2005评估年开始将2004年衍生品贸易的5.3亿美元亏损抵减以后年度盈利；以及(2)对2006年债务重组获得的1.92亿美元收益免征所得税。由于公司税务减免可用于全资子公司CAOT，新加坡国内税务局对CAOT所得税退税140万美元。据此，公司转回了以前年度约350万美元的计提。至此遗留的历史税务问题获得圆满解决。按照公司目前享有的所得税税率和盈利水平，享有的可供抵税金额可以使公司在未来8年左右不用再缴纳所得税。

公司的成本已经连续两年下降。由于2007年提前还清了债务重组计划里债权人的全部借款，节省了利息费用，并转回了以前年度计提的房产减值，CAO在2008财年的费用总额下降了62%，为540万美元。我们将继续通过各种成本控制措施加强对2009年成本的控制。



左：孟繁秋先生于2008年5月9日正式就任首席执行官、高级办公会议同时解散，标志着长达两年多的过渡时期划上了圆满的句号。

右：浦东航油拥有并经营上海浦东国际机场全部加油设施。

# 首席执行官报告

## 展望2009：同舟共济，再创佳绩

2009年将是CAO完成重组以来外部环境最为严峻、经营形势最为困难的一年。全球金融海啸还没有得到缓解，对实体经济的影响还在进一步加深。对家减少、银行紧缩信用工具以及中国对航油需求增长放缓，都将对我们战略的实施产生不利影响。

但中国经济发展的基本面没有改变，中国依旧是世界经济最活跃的地区之一，中国的航油需求也将持续增长。金融危机也为我们提供了更多的实业投资机会。因此，只要发挥我们自身的独特业务优势，我认为，总体上机遇将大于挑战。

2009年，我们确定了“积极应对危机、化挑战为机遇”的经营方针。公司将继续实行稳健的贸易策略，以航油供应和贸易为中心，逐步开展其他油品贸易以及租罐和船运优化业务，继续适度培养公司纸货贸易能力，对供应商和客户增值增值服务。通过向多元化贸易模式转变，稳步扩大贸易额和市场份额。

我们将扩大中国区以外航油销售和其他油品贸易作为贸易业务拓展的重点，以抵销中国对航油需求放缓的不利影响，为公司业务进一步转型奠定基础。

2009年，我们将继续积极寻找与航油采购及贸易具有协同性的资产，包括炼油厂以及管线、储罐、码头等物流设施，拓展航油加注业务。同时，创新对投资企业的管理，加大管理深度。

公司将进一步加强风险管理，将公司风险管理作为公司的一大经营特色，着力培养，最终形成自身的竞争优势。

公司将继续致力于完善公司治理，加强内部控制，提高公司的透明度。

危机中也有机遇，我相信，在股东一如既往的支持和董事会的正确领导下，只要我们坚定不移地实施公司已确定的发展战略，以创新为动力，规范运作，严控风险，同舟共济，CAO一定能够成功应对各种挑战，迎难而上，化挑战为机遇，实现新发展、取得新跨越，创造新成绩，更好地回馈股东。

## 致谢

在此，我要向公司的全体股东表示感谢！公司能够顺利步入发展正轨，离不开全体股东的理解和支持；我也要特别感谢母公司CNAF在保持CAO航油采购业务稳定、注资项目等方面给予的帮助和支持；我也非常感谢BP在公司开展油品国际贸易过程中所给予的慷慨支持和指导，BP与我们分享了其在国际贸易和风险管理方面的专业知识。

我非常感谢董事会一年来卓有成效的工作，他们不仅经验丰富，而且决策快速、客观、公正；我要特别感谢已经卸任的前独立董事长林日波先生，他为公司的建设和发展付出了大量的心血，他富有建设性的工作奠定了公司重建和发展的基础；我也要特别感谢接替林先生担任独立董事长的王家园博士，他的耐心指导和朴实无华的工作作风，使我有机会分享他渊博的知识、丰富的经验和高尚的品质，并使公司受益。

感谢中新两国政府部门和监管机构给予CAO在条例和守规方面的帮助和指导。

感谢中国航空油料有限责任公司等所有商业伙伴对公司的支持，期待我们不断加深合作。

最后，我要衷心感谢CAO全体同事，感谢他们在工作中给予我的配合、理解和支持。

## 孟繁秋

首席执行官 / 执行董事



左：CAO通过近5个月的艰苦工作与优质服务，确保了北京奥运期间进口航油的质量、船期和数量。

右：我们接下来将继续加深与商业伙伴的合作关系。



Board of Directors  
董事会



Michael J Bennetts, Ang Swee Tian 汪瑞典, Liu Fuchun 刘福春, Dr Wang Kai Yuen 王家园博士





Sun Li 孙立, Meng Fanqiu 孟繁秋, Timothy Bullock, Dr Zhao Shousen 赵寿森博士, Zhang Zhenqi 张振启

# Board of Directors

## Dr Wang Kai Yuen

Independent Chairman

- Appointed on 28 April 2008
- Appointed as Chairman of the Board on 14 November 2008
- Chairman of Remuneration Committee since 14 November 2008
- Member of Audit and Nominating Committees since 28 April 2008

Dr Wang Kai Yuen holds directorship positions in a number of public-listed companies in Singapore. He is currently the Centre Manager of Fuji Xerox Singapore Software Centre with 150 employees. 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 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 Health Promotion Board to promote awareness of HIV/AIDS in the work place.

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

## Sun Li

Deputy Chairman (Non-Executive, Non-Independent)

- Appointed on 30 April 2007

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

Mr Sun has extensive management experience in the petroleum and chemical industry. He joined Liaoyang Petrochemical & Fibre Company ("Liaoyang Petrochemical") 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 participated in trainings on corporate management conducted by IBM, ENSPM (France) and ICI (Britain). He is thus familiar with the various corporate management systems in large multi-national companies.

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

Mr Sun is currently the Chairman of CNAF Corporation Limited and CNAF Land Oil Company Limited.

He graduated from Tsinghua University, where he majored in polymer chemistry. Mr Sun holds a Postgraduate Diploma with a qualification title of Senior Engineer. He attended the MBA course at Capital University of Economics and Business in Beijing and the Masters course in Politics at the Party School of the Central Committee of the Communist Party of China.

## Meng Fanqiu

Chief Executive Officer/Executive Director

- Appointed on 28 March 2006
- Appointed as CEO on 9 May 2008

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

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"). 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. With his appointment as CEO of CAO, Mr Meng relinquished his office as the Division Director of the Planning and Development Division of CNAF.

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



## Board of Directors

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 was one of the five members of the Corporate Governance Assessment Committee which was constituted during the restructuring of CAO.

Mr Meng graduated from China University of Political Science and Law (majored in International Economic Law) and holds a Master of Business Law from Renmin University of China. He is also a qualified legal attorney and is a qualified corporate legal advisor in the PRC.

### Zhang Zhenqi

Executive Director/General Manager (Trading)

- Appointed on 15 June 2007

Mr Zhang Zhenqi is the Executive Director/General Manager (Trading) of the Company. He oversees the trading and operations activities of the Company.

Mr Zhang joined the Company on 25 April 2007. Prior to this appointment, Mr Zhang was the General Manager of Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd, a position he held since 2001.

He was the Deputy General Manager of China Aviation Oil Holding Company (“CAOHC”, the former name of China National Aviation Fuel Group Corporation, “CNAF”), East China Company from 1997 to 2001. From 1995 to 1997, he was the General Manager of China Aviation Oil Supply Corporation Anhui Branch, a subsidiary of CNAF.

He holds a Bachelor and a Master degree in Economics from Dongbei University of Finance & Economics and an EMBA degree from Cheung Kong Graduate School of Business.

### Dr Zhao Shousen

Non-Executive, Non-Independent Director

- Appointed on 28 March 2006
- Vice Chairman of Audit, Remuneration and Nominating Committees since 29 March 2006
- Member of Risk Management Committee since 29 March 2006

Dr Zhao Shousen is a Senior Accountant (professor level) and 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.

### Liu Fuchun

Independent Director

- Appointed on 28 March 2006
- Chairman of Nominating Committee since 29 March 2006
- Member of Audit and Remuneration Committees since 29 March 2006

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

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

# Board of Directors

## Timothy Bullock

Non-Executive, Non-Independent Director

- Appointed on 1 May 2008
- Chairman of Risk Management Committee since 14 November 2008
- Member of Audit Committee since 1 May 2008

Mr Timothy Bullock is the Integrated Supply & Trading (“IST”) Chief Operating Officer, Global Oil, of BP International Ltd. He is responsible for BP’s global oil supply and trading activities. Mr Bullock has more than 20 years of global energy industry experience in BP’s manufacturing, supply and trading, and gas and power marketing and trading activities. He joined BP in 1983 and has held various positions in the BP Group in London, Belgium, Singapore, North America and South Africa.

He has held various senior managerial positions with responsibilities over BP’s supply and trading business in several regions since 1996, including Trading Director of Eastern Hemisphere at BP Singapore, Vice President of Supply and Logistics Europe at BP London, Regional Business Unit Leader of Energy Finance and Chemicals at BP London and Strategic Projects Director for Asia. He spent three years in BP Houston’s North American Gas and Power, IST, where he was responsible for the largest gas trading and marketing business in North America. Mr Bullock was the Regional Business Leader of Europe and Africa Oil, IST, at BP London prior to being appointed as IST Group Vice President responsible for all of IST’s activities outside North and South America on 1 January 2007. He was appointed to his current role, IST Chief Operating Officer, Global Oil, in January 2008.

Mr Bullock holds a MBA from Warwick University and a Bachelor of Science (First Class) from Durham University.

## Michael J Bennetts

Non-Executive, Non-Independent Director

- Appointed on 1 January 2007
- Member of Remuneration, Nominating and Disclosure Committees since 1 January 2007

Mr Michael Bennetts retired as Chief Executive of Integrated Supply & Trading, BP Eastern Hemisphere in December 2008 after having held this post since August 2003. Mr Bennetts has over 20 years of experience in the global energy industry which largely included BP’s supply,

trading and marketing businesses. He joined BP in 1983 in New Zealand and has served in various roles in South Africa, China, Singapore and the United Kingdom. His experience in London was in BP’s corporate centre during 2002 and 2003. Mr Bennetts has Board level experience since 1999 in a number of BP Group subsidiary companies and joint ventures.

Mr Bennetts holds a Postgraduate Diploma in Corporate Management. He graduated as a Bachelor of Business Studies majoring in Management from Massey University where he graduated as a Massey Scholar in recognition of his academic record.

## Ang Swee Tian

Independent Director

- Appointed on 14 November 2008
- Chairman of Audit Committee since 14 November 2008
- Member of Remuneration, Nominating and Risk Management Committees since 14 November 2008

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

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

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

# 董事会

## 王家园博士

独立董事

- 2008年4月28日加入董事会
- 2008年11月14日被任命为董事长
- 薪酬委员会主席(自2008年11月14日起)
- 审计委员会和提名委员会成员(2008年4月28日起)

王家园博士在数个新加坡上市公司担任董事。王博士目前是新加坡富士施乐公司新加坡软件中心的中心经理，该中心有150名职员。他也是中国国侨办海外专家委员会成员。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年到他退出政坛的期间，他是民意处理组主席。2005年至2006年，他是AIDS商业联盟的创始主席，该组织是新加坡保健促进局为推广人们对爱滋病的认识而成立的组织。

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

## 孙立

副董事长(非执行、非独立)

- 2007年4月30日加入董事会

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

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

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

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。

孙先生目前是中国航空油料有限责任公司、中国航油集团陆地石油有限公司的董事长。

孙先生毕业于清华大学化学系高分子化工专业；具有研究生学历，高级工程师资格；还曾在首都经贸大学工商管理硕士研究生班和中央党校政治学硕士生班学习。

## 孟繁秋

首席执行官 / 执行董事

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

孟繁秋先生是公司的首席执行官兼执行董事。他也是公司的三家联营公司，即上海浦东国际机场航空油料有限责任公司、中国航油集团津京管道运输有限责任公司和中国航油集团新源石化有限公司的董事。

在担任公司首席执行官之前，孟先生是中国航空油料集团公司(简称“CNAF”)规划发展部总经理。他于2003年加入CNAF，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CNAF最具战略意义的重组改制项目。在被任命为CAO首席执行官时，孟先生卸下了CNAF规划发展部总经理的职务。孟先生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年任职于中国民航总局，直接参与了《中华人民共和国民用航空法》的起草和制定工作。该法为中国第一部关于民用航空的法律。自2000年起，他开始从事民用航空管理体制改革工作，直接参与拟订民用航空企业的整体改制重组方案；直接参与拟订中国航空集团公司、中国东方航空集团公司和中国南方航空集团公司以及服务保障企业改革重组方案；直接参与拟订成都双流国际机场、西安咸阳国际机场、沈阳桃仙国际机场等机场的股份制改造方案和空管改革方案；具体负责东方航空公司兼并西北航空公司项目。他曾被评为民航总局优秀公务员。

孟先生拥有中国政法大学国际经济法专业学士学位，中国人民大学民商法硕士学位。他还拥有中华人民共和国律师资格和企业法律顾问资格。

## 张振启

执行董事 / 总经理(贸易)

- 2007年6月15日加入董事会

张振启先生是CAO执行董事兼总经理(贸易)，负责公司的贸易和运作业务。

张先生于2007年4月25日加入公司。此前，他自2001年起一直担任上海浦东国际机场航空油料有限责任公司(简称“浦东航油”)总经理。他还担任过中国航空油料华东公司副总经理(1997年—2001年)和中国航空油料安徽公司的总经理(1995年—1997年)。

他拥有东北财经大学经济学学士和硕士学位，以及长江商学院工商管理硕士(EMBA)学位。



# 董事会

## 赵寿森博士

非执行、非独立董事

- 2007年4月30日加入董事会
- 审计委员会、薪酬委员会和提名委员会副主席(自2006年3月29日起)
- 风险管理委员会成员(自2006年3月29日起)

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—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。

赵博士拥有山东经济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。

## 刘福春

独立董事

- 2006年3月28日加入董事会
- 提名委员会主席(自2006年3月29日起)
- 审计委员会和薪酬委员会成员(自2006年3月29日起)

刘福春先生自2000年6月至2007年4月担任中国粮油食品进出口(集团)有限公司的董事兼总裁。在此之前, 他从1964年—1981年11月先后任中国粮油食品进出口总公司综合处职员、驻美国代表处业务员; 1981年11月—1985年7月任中国驻温哥华总领馆副领事; 1985年7月—1991年6月先后任中国粮油食品进出口总公司油脂处副处长、处长及鹏利(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。他毕业于北京外贸学院财会、英语专业。

## Timothy Bullock

非执行、非独立董事

- 2008年5月1日加入董事会
- 风险管理委员会主席(自2008年11月14日起)
- 审计委员会成员(自2008年5月1日起)

Timothy Bullock先生是BP国际有限公司环球石油综合供应与贸易首席运营官, 负责BP的环球石油供应与贸易业务。Bullock先生在环球能源市场上有超过20年的经验, 这期间在BP从事制造、供应与贸易, 以及天然气与能源市场营销与贸易业务。他于1983年加入BP, 曾在BP集团的伦敦、比利时、新加坡、北美和南非公司任职。

自1996年起, Bullock先生担任BP贸易与供应业务各项高级管理职位, 包括在BP新加坡公司担任东半球贸易主管、在BP伦敦公司担任供应与物流欧洲业务副总裁、在BP伦敦公司担任供应与贸易业务能源融资及化工品的区域业务部负责人, 以及在BP伦敦担任亚洲区战略项目主管。他在BP休

斯敦的综合供应与贸易业务北美天然气与电力市场方面花了三年的时间, 负责这块北美最大的天然气贸易与市场营销业务。Bullock先生曾在BP伦敦担任欧洲和非洲油品供应与贸易区域业务负责人, 之后于2007年1月1日被任命为负责北美和南美以外综合供应与贸易业务的集团副总裁。他于2008年1月被任命出任目前的职位, 即环球石油综合供应与贸易首席运营官。

Bullock先生持有英国华威大学的工商管理硕士学位, 以及英国杜伦大学的科学学士一等荣誉学位。

## Michael J Bennetts

非执行、非独立董事

- 2007年1月1日加入董事会
- 薪酬委员会、提名委员会和披露委员会成员(自2007年1月1日起)

Michael Bennetts先生自2003年8月起一直担任BP东半球综合供应和贸易业务的首席主管, 2008年12月退休。他有20多年全球能源领域的从业经验, 主要负责BP的供应、贸易和市场营销的业务。Bennetts先生于1983年加入BP新西兰分部, 之后在BP位于南非、中国、新加坡和英国的分公司部门任职, 包括2002年—2003年在BP位于伦敦的企业总部任职。自1999年起, Bennetts先生在BP集团的数家下属公司和联营公司担任董事。

他拥有企业管理研究生文凭。他还拥有新西兰Massey大学的商业研究学士学位, 主修管理; 基于其良好的学业成绩, 他成为Massey奖学金得主。

## 汪瑞典

独立董事

- 2008年11月14日加入董事会
- 审计委员会主席(自2008年11月14日起)
- 薪酬、提名和风险管理委员会成员(自2008年11月14日起)

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

汪先生于1999年至2005年担任新加坡交易所(“新交所”)总裁。在这期间, 他在成功促使新交所成为中国企业挂牌和融资的首选市场的过程中扮演了积极的角色。汪先生在1984年成立的亚洲第一个金融期货交易中心—新加坡国际金融交易所扮演了关键的角色, 而且在设立新交所亚洲结算行(于2006年开始提供场外结算工具)一事中也功不可没。在2006年1月退休后, 汪先生担任新交所高级顾问直至2007年12月。

2007年3月, 汪先生成为被选入美国期货协会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。他于1973年以优异的成绩获得美国西北大学授予的商业管理硕士学位。

# Senior Management

## 高级管理层简介

### Meng Fanqiu

Chief Executive Officer/Executive Director

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

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

### 孟繁秋

首席执行官 / 执行董事

作为首席执行官，孟繁秋先生负责有效管理和平衡经营的整体业务。他将贯彻落实业务发展战略规划，提升公司的竞争力和盈利能力。孟先生也负责和主导各业务单位，努力使其达到预期目标，确保公司整体业务增长，并监督和负责审核公司业绩公告。

欲知更多详情，请参阅“董事会”部分关于孟先生的介绍。

### Zhang Zhenqi

Executive Director/General Manager (Trading)

As the Executive Director/General Manager (Trading), Mr Zhang Zhenqi oversees the trading and operations activities of CAO.

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

### 张振启

执行董事 / 总经理(贸易)

作为总经理，张振启先生负责公司的贸易部和运作部业务。

欲知更多详情，请参阅“董事会”部分关于张先生的介绍。

### 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 also oversees the treasury, accounting, budget, tax and audit functions of CAO.

Mr Wang has more than 14 years of experience in China’s petroleum industry. Prior to joining CAO, Mr Wang was the Deputy Head of Financial Assets Division at Shengli Petroleum Administrative Bureau, a subsidiary of SINOPEC. Mr Wang began his career with Hekou Oil Production Plant, a subsidiary of Shengli Petroleum Administrative Bureau in 1993. He held several senior positions within the Financial Assets Division of Shengli Petroleum Administrative Bureau before his appointment as Deputy Head of Financial Assets Division in May 2006.

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

### 王春焱

财务总监

作为财务总监，王春焱先生负责领导和管理CAO整体财务规划与会计事务。他也监管CAO的资金运作、会计核算、预算、税收和审计事宜。

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

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

# Management 管理层



**Meng Fanqiu 孟繁秋**

Chief Executive Officer/Executive Director  
首席执行官 / 执行董事

**Zhang Zhenqi 张振启**

Executive Director/General Manager (Trading)  
执行董事 / 总经理(贸易)

**Wang Chunyan 王春焮**

Chief Financial Officer  
财务总监

**Doreen Nah 蓝肖蝶**

Head of Legal & Investor Relations/Company Secretary  
法律与投资者关系部主管兼公司秘书

**Su Wen 苏雯**

Executive Assistant to Chief Executive Officer  
首席执行官执行助理

**Jean Teo 张娜娜**

Head Of Trading  
贸易部主管





**Yong Sin Han 熊新漢**

Deputy Head of Operations  
运作部副主管

**Liu Jiangbo 刘江波**

Head of Business Development  
业务发展部主管

**Oi Mow Lie 韋懋莉**

Head of Risk Management  
风险管理部主管

**Tee Siew Kim 郑秀琴**

Head of Finance  
财务部主管

**Lily Choo 朱莉莉**

Deputy Head of Human Resource & Administration  
人事与行政部副主管

# 2008 Highlights 2008年大事记



## 14 FEBRUARY

CAO awarded Global Trader Programme status by International Enterprise Singapore

## 2月14日

新加坡国际企业发展局授予CAO“全球贸易商资格”

## 28 FEBRUARY

Announced Corporate Strategy

## 2月28日

公告公司战略

## MARCH

CAO commenced jet fuel hedging and trading activities, moved away from purely back-to-back jet fuel procurement business model

## 3月

CAO开始航油套保和贸易业务，转变单纯的背对背航油采购业务模式

## 23 APRIL

Announced acquisition of 49% of equity capital of China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd

## 4月23日

公告收购中国航油集团津京管道运输有限责任公司49%的股权

## 9 MAY

Appointed Mr Meng Fanqiu as CEO; Senior Officers Meeting disbanded

## 5月9日

任命孟繁秋先生为公司CEO；高级办公会议解散



#### 1 OCTOBER

CAO sets up petrochemicals trading team

#### 10月1日

CAO成立化工品贸易组

#### OCTOBER

Received award from China National Aviation Fuel Group Corporation for remarkable efforts in ensuring assured jet fuel supply during the Beijing Olympics

#### 10月

由于在北京奥运会期间为保障供给航油做出了重要贡献，受到中国航空油料集团公司奖励

#### 4 NOVEMBER

Ranked 9<sup>th</sup> position in the 2008 Singapore International 100 Ranking by International Enterprise Singapore

#### 11月4日

在新加坡国际企业发展局评选的“新加坡国际企业100强”中名列第9

#### 14 NOVEMBER

Mr Lim Jit Poh stepped down as Chairman, Dr Wang Kai Yuen appointed as new Independent Chairman; Disclosure Committee disbanded

#### 11月14日

林日波先生辞去董事长职务，由王家园博士接任公司新的独立董事；披露委员会解散

#### 4 DECEMBER

CAO signed interim trading agreement with BP; more flexibility in methods of procuring jet fuel for supply to PRC

#### 12月4日

CAO和BP签署临时贸易协议；以更加灵活的方式向中国供应航油





# Propelled by Excellence

The results we have achieved in recent years have allowed us to prove our mettle.



## Our Business: Jet Fuel Supply & Trading



Jet fuel supply and trading is one of CAO's core businesses and has been its main revenue contributor. 2008 had been a busy and fruitful year for our jet fuel supply and trading team where CAO scored a number of successes in the business.

In 2008, CAO supplied a record high of 5.2 million tonnes of jet fuel primarily to the three key international airports in the PRC, which was 24% higher than 2007. Jet fuel demand was significantly higher in 2008 mainly due to less jet fuel produced and supplied domestically in the PRC during the first half of the year and stock pilings by the PRC international airports in the second half of 2008 ahead of the Beijing Olympics and Paralympic games.

In 2008, CAO transformed its business model from purely jet fuel procurement to jet fuel supply and trading, which significantly enhanced CAO's capabilities in providing assured jet fuel supply. CAO recommenced jet fuel hedging and trading activities, thus allowing us to be able to accept more

flexible pricing from our suppliers and arrange for deliveries via vessels that are accepted by refineries. Not only has this resulted in more active participation by refineries and oil majors in CAO's tenders, it has also enabled us to gain more operational control over the deliveries and provide our suppliers with more flexibility. Hence, CAO has been able to ensure timely deliveries and maintain consistently high quality jet fuel imports into the PRC throughout the year, resulting in a higher level of customer satisfaction.

Another significant milestone was our new business cooperation model with BP. Under the interim trading agreement signed between CAO and BP Singapore Pte Ltd ("BPS") in December 2008, BPS will supply a small portion of CAO's monthly jet fuel requirements for onward supply to the PRC for a term of one year from January 2009. Such an arrangement provides CAO with greater flexibility in its procurement of jet fuel to the PRC receivers. CAO and BPS are currently working towards a long term trading arrangement.



## Our Business: Jet Fuel Supply & Trading

In 2008, CAO transformed its business model from purely jet fuel procurement to jet fuel supply and trading, which significantly enhanced CAO's capabilities in providing assured jet fuel supply.



Most of our jet fuel requirements in 2008 were procured through tenders. Going forward, CAO will expand its sources of jet fuel supply to include long-term contracts, tenders, spot cargoes and other methods to ensure consistent and assured supplies to the PRC and enhancing our flexibility in the procurement of these supplies.

Apart from supplying jet fuel to the PRC, CAO also progressively expanded its jet fuel supply and trading business beyond the PRC.

The oil market was extremely volatile in 2008. Jet fuel prices fell from a high of US\$167 per barrel in July (monthly average) to US\$59 per barrel in December (monthly average). During the worsening financial crisis, deteriorating credit ratings of various financial institutions increased counterparty credit risks. In view of significantly higher market and counterparty risks, CAO reduced its trading and hedging positions accordingly. However, our jet fuel supply and trading business was not

affected by the volatile oil prices on the whole, as CAO is assured of fixed commissions on the jet fuel it supplies to the PRC. Thus notwithstanding the market volatility, CAO's jet fuel trading and supply business achieved stable profits in 2008.

Looking at 2009, air traffic volume in the PRC is expected to be affected by the global economic slowdown to a certain extent, but China will remain one of the most promising economies in the world. Considering the projected 8% GDP growth rate in PRC for 2009, we expect continued growth in jet fuel demand in 2009 albeit at a lower growth rate. PRC's demand for imported jet fuel may also be affected by possible increases in PRC's domestic production and supply of jet fuel. CAO will continue to enhance its value proposition in its share of PRC market by strengthening its supply and shipping capabilities and value-added services. Oil markets are expected to remain volatile in 2009. However, CAO will continue to expand its jet fuel supply and trading business into other Asia Pacific markets at a steady pace.

## 公司业务：航油供应与贸易



航油供应与贸易是CAO的核心业务之一，也是公司重要的销售收入来源。2008年是贸易团队繁忙而富有成效的一年，也是CAO供应与贸易业务丰收的一年。

2008年航油供应和贸易总量为520万吨，主要供应对象为中国三大国际机场，比2007年增长24%，是历年来供应总量最高的一年。中国航油进口数量增加的主要原因是中国国内上半年航油供应量减少，而在下半年增加了北京奥运会及残奥会的油品存储。

2008年CAO由单纯的航油采购模式，向供应与贸易模式转变，大大提升了公司航油供应保障能力。由于逐步恢复航油套期保值等贸易活动，CAO能够以更为灵活的计价方式接

受供应商报价，并自主安排炼油厂可接受的航油船运，这促使更多的炼油厂和跨国公司参与CAO的招标活动。2008年CAO航油供应与贸易模式的转变不仅为供应商提供了灵活性，也为保证中国国内用户航油质量和船期奠定了基础，使得CAO能够具备更多的手段来确保航油供应质量和及时交货，提高了中国国内用户的满意度。

另一项重要成果是我们与BP达成了新的业务合作模式。根据2008年12月CAO与BP新加坡私人有限公司(简称“BPS”)签订的临时贸易协议，BPS自2009年1月起将向CAO每月供应较少比例的航油用于供应中国，为期一年。这样的安排使CAO为中国用户采购航油提供了更大的灵活性。CAO与BP目前正在进一步商谈长期贸易安排。

## 公司业务：航油供应与贸易

2008年CAO由单纯的航油采购模式，向供应与贸易模式转变，大大提升了公司航油供应保障能力。



2008年CAO大部分的航油需求是通过招标方式采购的。CAO未来将拓宽航油供应与贸易模式，通过长期合同、招标、现货等多种方式采购航油，既确保航油供应的稳定性，又增加航油供应与贸易的灵活性。

除向中国供应航油外，CAO同时也逐步向中国以外的市场拓展航油供应与贸易业务。

2008年石油市场急剧动荡，航油价格自7月份均价每桶167美元的高价位跌至12月份均价每桶59美元。由于CAO对航油供应采取收取固定佣金模式，没有受油价动荡的影响。在金融危机加深、各金融机构评级下降、交易对象信用风险增大的情况下，CAO相应减少了贸易与套保盘位，通过这些措施，虽然市场动荡，CAO在2008年仍然取得了稳定的供应和贸易利润。

展望2009年，中国民航运输总周转量预期在一定程度上会受到全球经济衰退的影响，但中国仍是经济最活跃的地区之一，同时，中国政府提出2009年中国GDP将增长8%，这使我们预期2009年中国民航运输量仍会增长，但速度将会放缓，中国的进口航油数量同时也可能会受中国国内炼油厂产能及航油供应增加的影响。对此，CAO将继续加强其供应与船运能力，并通过增值服务，提升公司在中国国内市场的价值。2009年预期石油市场将会继续动荡，CAO将持续积极而稳健地向亚太其他地区拓展航油供应和贸易业务。



## Our Business: Trading of Other Oil Products

CAO has fully re-established its petrochemicals trading business and had even concluded some spot deals in December 2008.



One of CAO's core business strategies is to expand into trading of other oil products. CAO started its petrochemicals trading business and established its petrochemicals team in October 2008 by employing two experienced ex-BP petrochemicals traders to drive this business after BP Singapore Pte Ltd ("BPS") decided to discontinue trading of most petrochemical products in Asia as it was no longer a strategic fit with its core trading business.

During the fourth quarter of 2008, preparatory work was undertaken by the petrochemicals team to ensure that CAO's risk management and control systems are able to support the petrochemicals trading activities. The Risk Management Committee of CAO approved the commencement of petrochemicals trading business after being satisfied that appropriate risk management controls were in place. We

are pleased to report that CAO has fully re-established its petrochemicals trading business and had even concluded some spot deals in December 2008.

Subject to favourable market conditions in 2009, the petrochemicals team plans to increase spot trading activities and enter into longer term contracts with reliable suppliers and consumers in the Asia-Pacific region.

The petrochemicals market in China is an open and competitive market. As such, there are good opportunities for our petrochemicals team to leverage on CAO's strong business linkages to grow the business in China. CAO will work with its existing jet fuel suppliers which have established petrochemicals businesses to expand our business portfolio.

## 公司业务： 其他油品贸易业务

2008年12月完成了一些化工品现货交易， CAO重新进入化工品贸易市场。



拓展其他油品贸易是CAO的核心战略之一， CAO于2008年10月份开始了化工品贸易， 由于BP认为化工品贸易不再符合其核心贸易业务的战略， 决定停止大部分亚洲化工品贸易业务， 随后CAO招聘了2名原BP化工品贸易员， 建立了自己的化工品贸易团队， 开展这项业务。

CAO化工品贸易团队在2008年第4季度完成了化工品贸易风险系统测试， 使得公司风险控制系统处于良好的运行状态， CAO风险管理委员会批准了化工品贸易业务。我们很高兴地看到贸易员在2008年12月完成了一些化工品现货交易， CAO重新进入了化工品贸易市场。

在新的一年里， 化工品贸易团队将在市场条件有利的情况下增加现货贸易活动， 与亚太地区可靠的供应商和用户签订长期合同。

中国的石油化工品市场是开放和公开竞争的市场， CAO与中国市场的密切联系将为化工品贸易团队拓展中国业务创造良好的贸易机会， 同时CAO也将与拥有化工品贸易业务的航油供应商密切合作拓展这项业务。

## Investments in Oil-Related Assets



### **CHINA NATIONAL AVIATION FUEL TSN-PEK PIPELINE TRANSPORTATION CORPORATION LTD**

CAO's acquisition of a 49% stake in China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL") marked the addition of another good quality asset to CAO's stable of investments. In April 2008, CAO announced the acquisition of a 49% stake in TSN-PEKCL from CAO's parent company, China National Aviation Fuel Group Corporation ("CNAF") for a consideration of RMB309.4 million (or approximately US\$45.2 million). CNAF had decided to divest its stake in wholly owned subsidiary, TSN-PEKCL to CAO to fulfil its commitment under the MOU on joint-asset injection which was signed among CNAF, BP and CAO in December 2005 during CAO's restructuring. After obtaining the requisite approvals including approvals from shareholders and various government authorities, this acquisition was completed on 23 February 2009, with the consideration being entirely paid by cash.

TSN-PEKCL owns the longest multi-oil product pipeline with the largest pipe diameter and the highest transfer volume in the Chinese aviation industry. TSN-PEKCL is currently engaged in the business of providing logistics and storage services for the jet fuel requirements of Beijing Capital International Airport and Tianjin Airport (the "Airports") using the pipeline.

TSN-PEKCL is an investment that is synergetic to CAO's current businesses and it enables CAO to directly participate in the business of transporting jet fuel to the Airports. This investment will serve to make CAO an international energy company having an integrated supply chain for both procurement and logistics support services for jet fuel and other oil-related products. It will also allow CAO to diversify its current business from purely trading into logistics and further allow CAO to diversify its earnings base.

### **SHANGHAI PUDONG INTERNATIONAL AIRPORT AVIATION FUEL SUPPLY COMPANY LTD**

Formed in 1997, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA") is the sole supplier of jet fuel for Shanghai Pudong International Airport ("Pudong Airport"), China's second largest airport. SPIA is engaged in the procurement, sales, transportation, storage and refuelling of jet fuel. SPIA owns and operates all refuelling facilities at Pudong Airport, which include a full suite of hydrant systems, fuel-pumping trucks, fuel pumps, oil storage facilities within the airport and at the jetty, and a 42-km pipeline directly connecting Pudong Airport to Shanghai Waigaoqiao Port.



## Investments in Oil-Related Assets



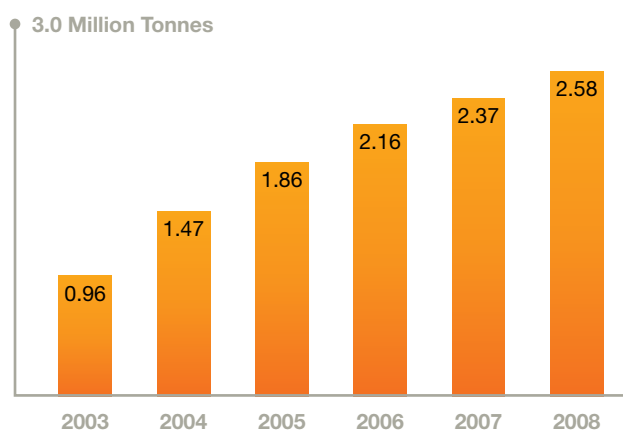
In 2008, SPIA provided jet fuel sales and refuelling services to 83 PRC domestic airlines and foreign airlines operating at Pudong Airport.

CAO is the second largest shareholder of SPIA, owning a 33% stake. The other two shareholders are Shanghai International Airport Co., Ltd. (40%) and Sinopec Assets Management Co. Ltd (27%).

Air traffic at Pudong Airport has increased steadily over the past few years. In 2008, Pudong Airport handled 265,735 takeoffs and landings, an increase of 4.81% over 2007. In 2008, SPIA's refuelling volume hit 2.58 million tonnes, an increase of 8.6% over 2007. SPIA was recognised by the Shanghai Airport Authority and industry players for its efforts and good services in ensuring assured jet fuel supply, particularly for the Beijing Olympics, cross-Straits charter flights and Sichuan earthquake disaster relief efforts.

To meet the requirements of growing civil aviation transportation volumes and expected increase in air traffic due to World Expo 2010 Shanghai, Pudong Airport has completed its second phase of development. SPIA, correspondingly, also concluded its second phase of development in 2008, which is estimated to be able to fulfil the requirements of Pudong Airport's projected jet fuel demand of 4 million tonnes by 2015.

**SPIA Refuelling Volume**



### **CHINA AVIATION OIL XINYUAN PETROCHEMICALS CO. LTD**

Incorporated in 2004, China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan") provides storage services and trades in jet fuel and other oil products. Xinyuan has three shareholders, namely Shenzhen Juzhengyuan Petrochemical Co. Ltd (60%), CAO (39%) and China National Aviation Fuel Group Corporation (1%). Xinyuan owns the Shuidong storage tank farm with a total capacity of 50,000 cubic metres near the Shuidong harbour in the city of Maoming in Guangdong province, PRC.

In 2008, following proactive efforts to expand its business, Xinyuan managed to turnaround its losses and recorded sales revenue of RMB160 million for FY2008.

## 油品相关实业投资



### 中国航油集团津京管道运输有限责任公司

CAO收购了中国航油集团津京管道运输有限责任公司(简称“管输公司”)49%的股权，这标志着CAO拥有了另一项稳定的投资。

2005年12月CAO重组期间，母公司中国航空油料集团公司(简称“CNAF”)、BP和CAO三方签订了向CAO注入资产的谅解备忘录。为履行向CAO进行战略注资的承诺，支持CAO的发展，CNAF决定将其全资子公司管输公司49%的股权转让给CAO。2008年4月，CAO公告将以3.093亿元人民币(约4520万美元)的价格向CNAF收购管输公司49%的股权。在获得股东和政府各相关部门的审批后，该项目于2009年2月23日完成交割，对价完全以现金支付。

管输公司拥有目前中国民航行业输送距离最长、管径最大和输油量最高的多品种油品输送管道，为北京首都国际机场及天津滨海国际机场(简称“机场”)提供航油管道运输服务。

该项收购属于一项协同性投资，使CAO直接参与向机场运输航油的业务，该项投资有助于使CAO成为一个拥有航油及其他石油相关产品采购及物流服务的综合供应链的国际能源公司，并使CAO从其单纯的贸易业务拓宽至物流领域，进一步使其盈利来源多元化。

### 上海浦东国际机场航空油料有限责任公司

上海浦东国际机场航空油料有限责任公司(简称“浦东航油”)成立于1997年，该公司是中国第二大机场上海浦东国际机场(简称“浦东机场”)的唯一航油供应商。浦东航油从事航油的采购、销售、储运及加注业务。它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。

## 油品相关实业投资



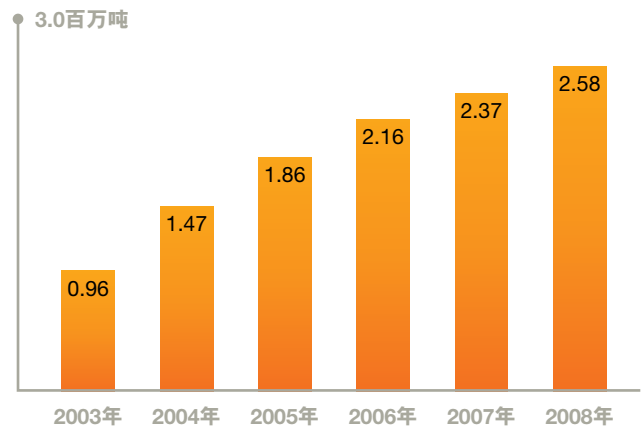
2008年，浦东航油向在浦东机场运营的中国及其他国家航空公司共83家航空公司销售和加注航油。

CAO是浦东航油的第二大股东，拥有其33%股权，浦东航油的其他两位股东是上海国际机场股份有限公司(拥有40%股权)和中国石化集团资产管理有限公司(拥有27%股权)。

近年来，浦东机场航空运输量稳定增长，2008年起降架次为26万5735架次，较2007年增长4.81%。2008年，浦东航油的加油量为258万吨，较2007年增长8.6%。2008年，浦东航油顺利完成了“奥运航班”、“两岸包机”、“抗震救灾航班”等航油保障任务，获得上海机场管理局和业界的一致肯定。

为满足运输量增加和迎接2010年上海世博会的到来，浦东机场进行了第二期扩建工程，浦东航油也进行了相应的第二期航油扩建工程。航油扩建工程已于2008年竣工，可满足浦东机场2015年400万吨的航油需求。

浦东航油加油量



### 中国航油集团新源石化有限公司

中国航油集团新源石化有限公司(简称“新源”)成立于2004年，主要从事航油和其他油品的储运和贸易业务。深圳巨正源石化有限公司、CAO和中国航空油料集团公司分别持有其60%、39%和1%的股权。该公司拥有位于中国广东茂名的库容为5万立方米的水东油库。

2008年，新源积极拓展新业务，销售收入达1.6亿元人民币，成功实现扭亏为盈。



# Risk Management

Building on a strong and effective foundation of risk management infrastructure, CAO continued to improve its risk management system and enhanced the capabilities of its risk management team in 2008. CAO also continued to reinforce its risk management culture through the motto: “Effective Control, Timely Support and Balanced Growth”, which has become an important part of CAO’s culture underpinning its strategic vision and mission.

## THREE-TIER MANAGEMENT CONTROL INFRASTRUCTURE

In 2008, CAO further improved its three-tier management and control infrastructure, i.e. the Risk Management Committee (“RMC”) at Board level, the Company Risk Meeting (“CRM”) at management level and the Risk Management Department at operational level. The three-tier management forms the core of our risk management infrastructure and acts to further enhance our risk management capability.

The RMC continues to (i) review and approve CAO’s new businesses and establish appropriate risk limits; and (ii) identify acceptable levels of market, credit and operational risks that CAO is willing to and able to accept for its day-to-day operations. During the year under review, the RMC approved the use of hedging for price risk management to enable CAO to resume trading activities.

The CRM periodically discusses and makes decisions on various risk management matters arising from day-to-day operations based on the scope of RMC’s delegations. The CRM also sets appropriate risk limits for every new business activity and oversees CAO’s risk management activities.

The CRM further ensures that all decisions of the RMC and policies are implemented and adhered to. The Head of Risk Management Department reports directly to both the CRM and the RMC. This dual reporting line ensures that the CRM plays an important and independent role in CAO’s day-to-day risk management.

The Risk Management Department provides on-the-ground vigilance and responsiveness to ensure that CAO’s risk management policies and procedures are being adhered to. In 2008, all trading books had been set up with trading and exposure limits to control market risks. The Risk Management Department ensures all deals are recorded and monitored daily. The Risk Management Department also ensures that risk reports are sent to the management, Trading Department and Finance Department on a daily basis and to the RMC members on a monthly basis. Any limit breach will be reported to the management and CRM within 24 hours with follow-up actions to address the breach. In order to ensure that our credit policies and processes are adequate to monitor risks in the ever-changing market and trading environment, CAO has stepped up on credit risk controls in 2008. We completed credit assessment work for all of our trading counterparties in accordance with CAO’s credit risk policy. In the process of credit rating and setting credit risk limits for our trading counterparties, we consider all relevant factors including the borrower’s financial condition, industry and economic conditions, market position, access to capital and management strength. For effective management of operational risks, CAO has established appropriate work processes from the front to back office. Analyses were performed on issues arising from these processes and appropriate, timely measures and actions were taken to address these issues.



# Risk Management

## REFINING AND ENHANCING OUR RISK MANAGEMENT SYSTEM

With CAO embarking on new business activities during the course of the year, we took steps to refine and enhance our risk management system. Weekly meetings were convened to review existing processes and business activities in order to ensure a fit-for-purpose risk management system. In addition, we conducted an end-to-end testing of probable trading scenarios in 2008 so as to ensure that appropriate controls were in place to manage our market, credit and operational risks. We actively collaborated with our external software provider to further enhance our system to meet our risk management requirements. We have also improved our email auditing system and developed and tested a company disaster recovery plan. Overall, CAO has an effective management mechanism to manage, measure and improve its processes to enable it to react promptly to an ever-changing market environment. This will also ensure that we are able to monitor and mitigate the risks of any new proposed activity before we embark on it.

## TRAINING AND DEVELOPING AN EFFECTIVE RISK MANAGEMENT TEAM

CAO understands that human capital is key to effective risk management. We maximise the organisation's human resources through effective work allocation for each member of the risk management team based on their knowledge, skills and abilities. This is further achieved through our two-prong approach in recruitment: (i) recruiting talents from the external market; and (ii) building up capabilities within the organisation via training programmes. We engage reputable trainers in the industry to customise risk management training programmes for CAO and invite specialists from BP to conduct training sessions for contract management and auditing. We also share best practices with the risk management department of CAO's parent company, China National Aviation Fuel Group Corporation ("CNAF"). These measures have significantly improved the capabilities and skills of our risk management team.

## INCULCATING A STRONG RISK MANAGEMENT CULTURE

In 2008, CAO continued to inculcate a strong corporate risk management culture from the Board to the management team and further cascading to all employees. The motto "Effective Control, Timely Support and Balanced Growth" is deeply entrenched in the organisation.

To achieve "Effective Control", CAO has identified key indicators for managing market, credit and operational risks, and set appropriate risk levels for each indicator. CAO's control policies also seek to address non-quantifiable risks such as political and legal risks.

As for "Timely Support", credit and legal reviews for potential trading counterparties are completed ahead of time to support the trading activities. Employees are encouraged to suggest ideas to improve and optimise work processes through an incentive programme. Employees are also regularly tested on their understanding of daily work processes and company policies.

To support "Balanced Growth", the Risk Management Department conducts stress tests and risk assessments for new trading activities. For existing activities, the Risk Management Department gives ample warnings when utilisation is close to the limit and ensures that appropriate stop loss actions are taken. Risk assessments are conducted for new investment projects to consider factors such as alignment with CAO's strategy, capital adequacy and risks reward analysis.

## REVIEW AND OUTLOOK

2008 was a very volatile year for the world economy, triggered by the subprime crisis which escalated into a global financial turmoil. The price of crude oil rose steeply in 2008 from around USD 90 per barrel ("/bbl") at the beginning of the year to more than USD 140/bbl in July followed by a sharp fall to USD 35/bbl towards the end of the year, as seen in the chart below. This volatility has resulted in a very challenging environment for our trading and risk management activities.

In such a challenging environment, the Board and the management felt it was timely to conduct an enterprise risk assessment of the Company. This was to reassess and identify key risk indicators on a company-wide level and to set up controls and mitigation plans accordingly.

We expect the market to be more complex and volatile in 2009. Market, credit, political and legal risks will become major risk areas. CAO will continue to adhere strictly to its risk management policies and procedures. With the support of its two major shareholders, namely CNAF and BP, CAO will continually improve its risk management system and processes to grow its risk management capabilities.

Brent Crude (Front Month) Future Closing Price



January to December 2008

# 风险管理

2008年，CAO在稳健有效的风险管理架构的基础上，持续改进和完善风险管理系统，着力培训和提高风险管理人员的素质。“管控有效、支持有利、平衡发展”的风险管理文化不断得以强化和丰富，成为公司文化的重要组成部分，为实现公司的远景目标发挥了积极作用。

## 三重管理控制架构

2008年，CAO进一步完善了三个层面上的管理控制体制，即：在董事会层面上的风险管理委员会，在管理层面上的公司风险会议及在执行层面上的风险管理部。这三重管理控制架构构成了公司风险管理的基础核心，从而增强了我们风险管理的能力。

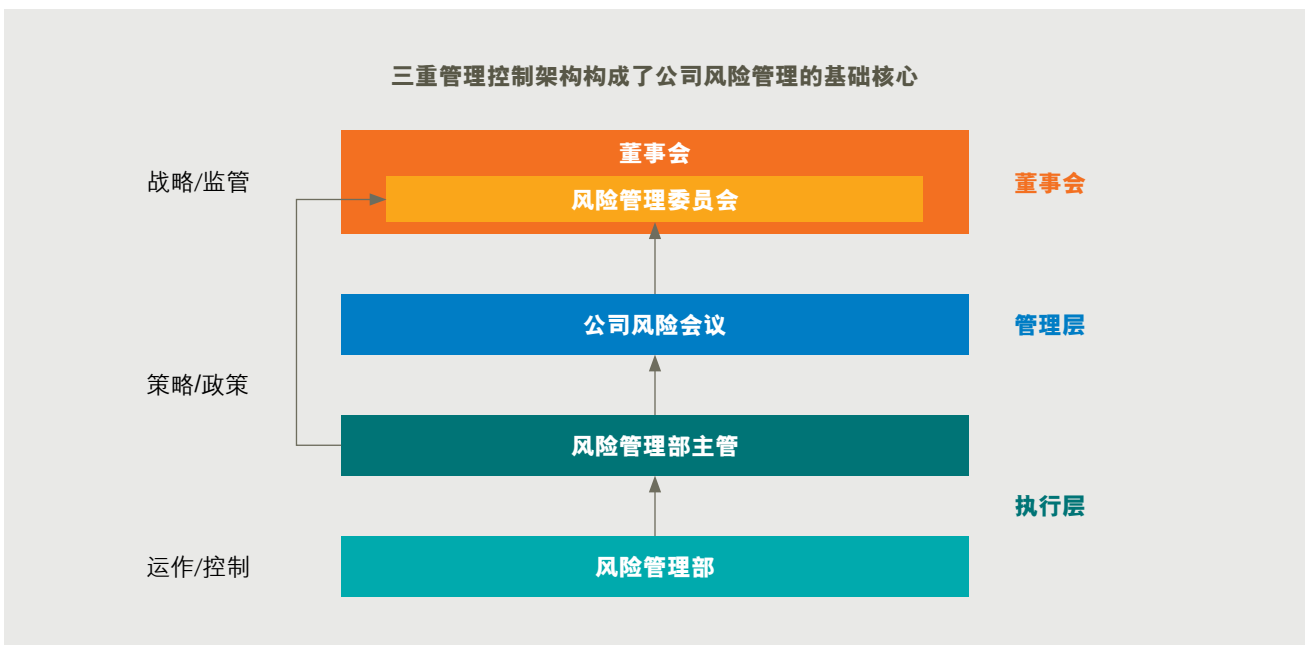
风险管理委员会在2008年继续对公司新业务和信用限额的修订实施审批和监督；明确了经营活动中能够接受的市场风险、信用风险和运作风险等各种风险界限。2008年间，风险管理委员会批准了套期保值业务，最大限度地规避价格风险。

公司风险会议在风险管理委员会授权范围之内，定期对公司经营过程中遇到的各种风险管理问题进行研讨和决策；对公司开展的每一项业务单独设置了风险限额体系，动态监督整个公司的风险管理活动，确保风险管理委员会制定的各项决策能够得以贯彻和落实。公司风险会议具有独特的运作机制，即双线汇报机制，风险管理部主管一方面向公司风险会议汇报，同时也可以直接向董事会报告。这为公司风险会议在日常风险管理过程中发挥重要和独立的作用提供了有利保障。

在日常运作和控制层面，公司风险管理部负责实施和落实，即时的风险监控和反馈，以保证CAO的风险管理政策和程序得以遵守。2008年，在控制市场风险方面，所有业务都有预设的交易和敞口限额，公司风险管理部确保所有交易都做了记录并受到定期审核；向管理层、贸易部和财务部提供盯市风险日报，向风险管理委员会呈交盯市风险月度报告。对于任何超过公司规定风险限额的活动，将在24小时内同时向公司风险会议和管理层呈交超限报告，并采取有效行动予以纠正。2008年，为适应不断变化的市场和贸易活动，公司加大了对信用风险的控制力度。按照公司信用评价办法，完成了对所有贸易对家的信用等级评定，并以此确定了对不同信用等级贸易对家的信用政策。在确定对家信用等级和信用风险限额的过程中，我们考虑了对家的财务状况，行业和经济情况，市场地位，获取资金的方式和管理能力。为有效防范运作风险，围绕风险管理系统制定完善了公司前、中、后台工作流程，并针对各运作环节中出现的进行分析，及时提出改进建议并组织实施。

## 改进和完善风险管理系统

随着公司开展新业务，我们采取行动改进和完善了风险管理系统。公司每周召开系统改进会议，改进和完善风险管理系统工作，已完成了对现有可能的贸易情景——从签订合同到最终结算全过程的测试，以期将市场、信用和运作风险最小化。我们也积极与外部软件开发厂商合作，开发辅助软件来满足公司特殊的风险管理需求。此外，还改进了邮件审查系统并实施了信息系统灾难恢复计划。我们已经建立起一套行之有效的管理机制，对现有流程进行长期监控、检测和改进，以保持应变能力，并确保在开展任何新业务之前，系统流程有足够的监控、规避所面临的风险。





# 风险管理

## 充实、培训风险管理队伍

公司风险管理体系能够有效执行，核心是人力资源。我们对公司风险管理部人员进行了合理分工，充分发挥不同管理人员在控制不同风险方面的特长；公司一方面从外部市场招募人才，同时开展内部培训，通过两种渠道来充实风险管理队伍。公司聘请了业界著名的培训机构制定培训内容，举办专业的风险管理培训。公司也邀请了BP的风险管理专家，专门对有关贸易活动所涉及的管理与审核方面进行培训，并与母公司中国航空油料集团公司(简称“CNAF”)的风险管理部门保持密切的交流互动。这一系列的举措，使得公司风险管理队伍素质和技能显著提高。

## 强化风险管理文化

2008年，公司从董事会、管理层到所有员工各层面的风险管理意识不断强化，“管控有效、支持有利、平衡发展”的风险管理文化已成为公司文化的重要组成部分。

公司针对市场风险、信用风险和运作风险等分别制定了风险控制量化指标，并确保所有各指标最大值在公司可承受范围内，对不可量化的政策风险、法律风险等确定了风险管理政策。在此基础上，对各指标、政策通过不同方法实施有效监控，做到了“管控有效”。

公司提前完成了对潜在贸易对家的信用评估和有关法律文件的准备工作，有利地保障了贸易活动的时效性。公司也设立了贸易业务流程改进建议的鼓励政策，鼓励全体员工积极参与流程的优化，并对员工理解日常工作程序进行定期测试，做到了“支持有利”。

风险管理部门对各项新的贸易活动会事先进行压力测试及风险评估。对正在进行的贸易活动，当交易接近风险限额时，风险管理部门会及时提出警告，保证在适当时机进行平仓。在决策投资新的项目时，风险管理部门则从该项目与公司战略的协调性、资金承受能力及项目的风险回报等方面进行评估，这样保障了公司能够“平衡发展”。

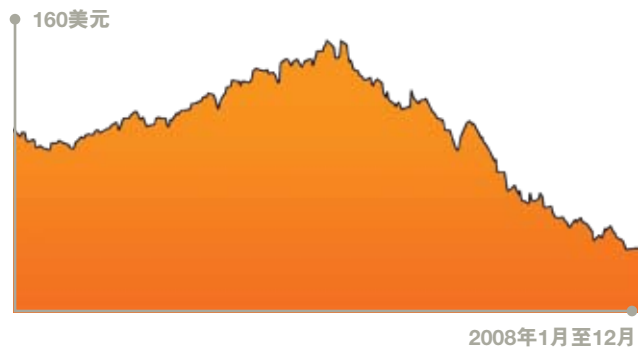
## 回顾与展望

2008年，世界经济跌宕起伏，次贷危机已逐步演变成全球性金融危机。纵观全年，我们见证了原油价格从年初的每桶90多美元，至7月飙升到每桶140多美元的高点，而后又一路下滑至年底的每桶35美元左右(见下图)。油品价格的剧烈波动使贸易活动和风险管理都面临极大的挑战。

公司董事会和管理层也决定在这样的特殊时期，实施企业综合风险评估，在公司各个层面对风险管理的关键指标进行重新评估，并制定相应的管理预案。

当今的经济形势，预示着新的一年市场环境将更复杂、多变。市场、信用、政策和法律等风险都将成为突出的风险点。这要求我们必须在董事会的领导下，贯彻落实各项风险制度和措施，不断提升应对风险的能力。公司的两大股东：CNAF和BP也都将继续为提升公司风险管理水平提供强有力的支持。

布伦特原油(即月)期货收盘价



# Financial Performance Summary

## GROUP INCOME STATEMENT

|  | 2008<br>US\$'000 | 2007<br>US\$'000 | Change<br>%  |   |
|--|------------------|------------------|--------------|---|
| Revenue  | 5,370,244        | 2,957,971        | 81.6         | Increase mainly due to higher volume of jet fuel procured and supplied as well as the high fuel prices. Increase in total volume of jet fuel procured and supplied in 2008 due to rise in demand for jet fuel imports in the PRC to assure supply during the Beijing Olympics and decline in PRC's domestic production and supply of jet fuel.  |
| Cost of sales                                  | (5,347,712)      | (2,946,476)      | 81.5         | Derived from fixed margin per barrel of jet fuel supplied to the PRC, trading and related hedging and freight optimisation activities.  |
| <b>Gross Profit</b>                            | <b>22,532</b>    | <b>11,495</b>    | <b>96.0</b>  |   |
| Other income                                   | 5,838            | 173,122          | -96.6        | Decrease mainly due to absence of divestment gains, decline in interest rates on fixed deposits placed with financial institutions and lower net foreign exchange gain.   |
| Administrative expenses                        | (5,512)          | (6,403)          | -13.9        | Decrease mainly due to lower total staff costs.   |
| Other operating expenses                       | 619              | (1,370)          | -145.2       |   |
| Finance costs                                  | (542)            | (6,658)          | -91.9        | In credit mainly due to the reversal of impairment loss on leasehold properties of the Group following an independent valuation at open market value on an existing use basis.  |
| Share of results of associates<br>(net of tax) | 10,516           | 25,475           | -58.7        | Mainly the impairment made for the storage properties in Xinyuan.   |
| <b>Profit before taxation</b>                  | <b>33,451</b>    | <b>195,661</b>   | <b>-82.9</b> |   |
| Income tax credit/(expense)                    | 4,894            | (27,919)         | NM           | Comprised mainly bank charges relating to the issuance of letters of credit.  |
| <b>Profit after taxation</b>                   | <b>38,345</b>    | <b>167,742</b>   | <b>-77.1</b> |   |
| <b>Attributable to:</b>                        |                  |                  |              |   |
| Equity holders of the Company                  | 38,345           | 168,334          | -77.2        | Comprised interest payments made to scheme creditors and the accelerated amortisation of the fair value interest adjustment in accordance with FRS 39 as a result of the full settlement of the deferred debts in May 2007.   |
| Minority interest                              | -                | (592)            | NM           |   |
| <b>Profit for the year</b>                     | <b>38,345</b>    | <b>167,742</b>   | <b>-77.1</b> | Comprised mainly share of results of SPIA. SPIA's contribution declined due to: (i) operating loss in 4Q 2008 (when oil prices dropped sharply) as a result of more costly inventories and lower regulated sale prices of jet fuel to China's domestic airlines; (ii) increase in short term loan at higher interest rates to meet working capital requirements as increase in jet fuel prices from January to August 2008 led to higher trade receivables and payables; (iii) strengthening of Renminbi against the US Dollar; and (iv) tax provision at higher tax rate as a result of the unification of China's corporate tax rate. |
|  |                  |                  |              | Includes: (i) reversal of provisions of US\$3.53 million provided in previous years of assessments following the decision by Inland Revenue Authority of Singapore ("IRAS") to: (a) allow the utilisation of losses from speculative options trading incurred in FY2004 of approximately S\$896 million (approximately US\$530 million); and (b) regard the waiver of debts under the Scheme of Arrangement in FY2006 as non-taxable; and (ii) a tax refund of US\$1.36 million from IRAS in respect of a claim for group loss relief against the previous years' profits of its wholly owned subsidiary, CAOT Pte Ltd.                 |

# Financial Performance Summary

## BALANCE SHEETS

|   | Group                          |                                | Company                        |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | As at<br>31 Dec 08<br>US\$'000 | As at<br>31 Dec 07<br>US\$'000 | As at<br>31 Dec 08<br>US\$'000 | As at<br>31 Dec 07<br>US\$'000 |
| <b>Non-current assets</b>                                   |                                |                                |                                |                                |
| Property, plant and equipment                               | 8,296                          | 6,808                          | 8,296                          | 6,808                          |
| Intangible assets   | 174                            | 269                            | 174                            | 269                            |
| Associates  | 82,005                         | 97,108                         | 35,911                         | 35,911                         |
|   | 90,475                         | 104,185                        | 44,381                         | 42,988                         |
| <b>Current assets</b>                                       |                                |                                |                                |                                |
| Trade and other receivables                                 | 251,522                        | 283,460                        | 251,522                        | 283,460                        |
| Cash and cash equivalents                                   | 153,102                        | 300,472                        | 153,081                        | 299,517                        |
|   | 404,624                        | 583,932                        | 404,603                        | 582,977                        |
| <b>Total assets</b>   | 495,099                        | 688,117                        | 448,984                        | 625,965                        |
| <b>Equity attributable to equity holders of the Company</b> |                                |                                |                                |                                |
| Share capital   | 215,573                        | 215,573                        | 215,573                        | 215,573                        |
| Reserves  | 19,777                         | 14,321                         | -                              | -                              |
| Accumulated profits/(losses)                                | 40,350                         | 38,688                         | 14,016                         | (7,789)                        |
| <b>Total equity</b>   | 275,700                        | 268,582                        | 229,589                        | 207,784                        |
| <b>Current liabilities</b>                                  |                                |                                |                                |                                |
| Trade and other payables                                    | 219,399                        | 413,232                        | 219,395                        | 413,215                        |
| Current tax payable   | -                              | 6,303                          | -                              | 4,966                          |
| <b>Total liabilities</b>                                    | 219,399                        | 419,535                        | 219,395                        | 418,181                        |
| <b>Total equity and liabilities</b>                         | 495,099                        | 688,117                        | 448,984                        | 625,965                        |

Decrease was mainly due to the recognition of dividend of approximately US\$31.29 million declared by SPIA, offset by the Group's share of results of associates and currency translation reserve due to the appreciation of Renminbi against the US Dollar amounting to US\$16.19 million.

Decrease was mainly due to the dividend payment of US\$36.68 million in May 2008 and the timing differences on receipts from trade receivables and payments to trade creditors.

Increase in accumulated profits at Company level was due to current year profits of US\$27.20 million and the recognition of dividend of approximately US\$31.29 million declared by SPIA. This increase was offset by the special dividend and ordinary dividend paid in respect of FY2007 which amounted to US\$36.68 million.



# Corporate Information

(As at 27 March 2009)

## DIRECTORS

Wang Kai Yuen

(Independent Chairman)

Sun Li

(Deputy Chairman – Non-Independent, Non-Executive Director)

Meng Fanqiu

(Chief Executive Officer/Executive Director)

Zhang Zhenqi

(Executive Director/General Manager (Trading))

Ang Swee Tian

(Independent Director)

Michael Bennetts

(Non-Independent, Non-Executive Director)

Timothy Bullock

(Non-Independent, Non-Executive Director)

Liu Fuchun

(Independent Director)

Zhao Shousen

(Non-Independent, Non-Executive Director)

## BOARD COMMITTEES

### Audit Committee

Ang Swee Tian (Chairman)

Zhao Shousen (Vice Chairman)

Wang Kai Yuen

Liu Fuchun

Timothy Bullock

### Remuneration Committee

Wang Kai Yuen (Chairman)

Zhao Shousen (Vice Chairman)

Liu Fuchun

Michael Bennetts

Ang Swee Tian

### Nominating Committee

Liu Fuchun (Chairman)

Zhao Shousen (Vice Chairman)

Wang Kai Yuen

Michael Bennetts

Ang Swee Tian

### Risk Management Committee

Timothy Bullock (Chairman)

Zhao Shousen

Ang Swee Tian

## COMPANY SECRETARY

Doreen Nah

## AUDITORS

KPMG LLP

Partner in charge: Tay Puay Cheng

(Appointed on 28 April 2006 – 3 years)

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.

3 Church Street

#08-01 Samsung Hub

Singapore 049483

## PRINCIPAL BANKERS

Calyon, Singapore Branch

ING Bank N.V., Singapore Branch

Fortis Bank S.A./N.V., Singapore Branch

Rabobank International, Singapore Branch

Bank of Communications Co., Ltd, Singapore Branch

Agricultural Bank of China, Singapore Branch

Bank of China, Singapore Branch

United Overseas Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

## REGISTERED OFFICE

8 Temasek Boulevard

#31-02 Suntec Tower Three

Singapore 038988

Tel: (65) 6334 8979

Fax: (65) 6333 5283

Website: [www.caosco.com](http://www.caosco.com)

# 公司信息

(截至2009年3月27日)

## 董事

王家园

(独立董事长)

孙立

(副董事长—非独立、非执行董事)

孟繁秋

(首席执行官 / 执行董事)

张振启

(执行董事 / 总经理 (贸易))

汪瑞典

(独立董事)

Michael Bennetts

(非独立、非执行董事)

Timothy Bullock

(非独立、非执行董事)

刘福春

(独立董事)

赵寿森

(非独立、非执行董事)

## 董事会委员会

### 审计委员会

汪瑞典 (主席)

赵寿森 (副主席)

王家园

刘福春

Timothy Bullock

### 薪酬委员会

王家园 (主席)

赵寿森 (副主席)

刘福春

Michael Bennetts

汪瑞典

### 提名委员会

刘福春 (主席)

赵寿森 (副主席)

王家园

Michael Bennetts

汪瑞典

### 风险管理委员会

Timothy Bullock (主席)

赵寿森

汪瑞典

## 公司秘书

蓝肖蝶

## 外部审计师

KPMG LLP

负责合伙人: 郑培深

(受聘于2006年4月28日, 至今已3年)

## 股票登记处和转让处

Boardroom Corporate & Advisory Services Pte. Ltd.

3 Church Street

#08-01 Samsung Hub

Singapore 049483

## 主要银行

Calyon, 新加坡分行

ING Bank N.V., 新加坡分行

Fortis Bank S.A./N.V., 新加坡分行

Rabobank International, 新加坡分行

Bank of Communications Co., Ltd, 新加坡分行

Agricultural Bank of China, 新加坡分行

Bank of China, 新加坡分行

United Overseas Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

## 注册办公室

淡马锡林荫道8号新达城第3大厦31楼2号

新加坡邮区038988

电话: (65) 6334 8979

传真: (65) 6333 5283

网址: www.caosco.com



# Taking Wing

As we soar towards new heights we bring with us the fundamental principles of integrity, transparency and innovation.



# 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 (“**SGX-ST**”) and the recommendations of the Code of Corporate Governance 2005 (the “**2005 Code**”).

In 2005, the Board constituted a Corporate Governance Assessment Committee (“**CGAC**”) to examine the corporate practices of CAO and propose improvements to the Company's internal controls and corporate governance beyond the recommendations of the 2005 Code. To date, the Company has successfully implemented all of the recommendations by CGAC.

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

This report describes the Company's corporate governance practices for the financial year ended 31 December 2008 with specific reference to the 2005 Code.

## (A) BOARD MATTERS

### The Board's Conduct of its Affairs

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#### Principle 1

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

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#### Commentary

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

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

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

Some of the businesses that the Board transacts include:

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

## Statement of Corporate Governance

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

To ensure the efficient discharge of its responsibilities and to provide independent oversight of Management, the Board had established five Board committees namely, the Audit Committee, the Nominating Committee, the Remuneration Committee, the Risk Management Committee and the Disclosure Committee. The Risk Management Committee and the Disclosure Committee are over and above the requirements of the 2005 Code. 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.

However, following the Company's successful transition into a normalised management structure and concurrent with changes made to the compositions of the Board and Board Committees, the Disclosure Committee was disbanded. With the disbandment of the Disclosure Committee, all material announcements are now 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. The Board's decision to retain the Risk Management Committee reflects the critical role played by the Risk Management Committee in the oversight of enterprise-wide risk management processes as well as strengthening the Board's ability to protect and enhance shareholder value.

Board meetings are held at least once a quarter, and as required by business imperatives, to review and approve the release of the quarterly and full-year results and to discuss reports by Management including significant acquisitions and divestments, approving the annual budget and reviewing performance of the Group's businesses. The Board met six times in 2008. 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 Board and Board committee meetings held in 2008, as well as the attendance of each Board member at these meetings, are disclosed below:

| Name of Directors              | Board of Directors' Meetings | Board Committee Meetings |            |              |                 |
|--------------------------------|------------------------------|--------------------------|------------|--------------|-----------------|
|                                |                              | Audit                    | Nominating | Remuneration | Risk Management |
| Wang Kai Yuen <sup>(1)</sup>   | 4                            | 4                        | 1          | 1            | N.A.            |
| Sun Li                         | 5                            | N.A.                     | N.A.       | N.A.         | N.A.            |
| Meng Fanqiu <sup>(2)</sup>     | 6                            | N.A.                     | N.A.       | N.A.         | N.A.            |
| Zhang Zhenqi                   | 6                            | N.A.                     | N.A.       | N.A.         | N.A.            |
| Zhao Shousen                   | 6                            | 5                        | 1          | 1            | 4               |
| Liu Fuchun                     | 6                            | 5                        | 1          | 1            | N.A.            |
| Timothy Bullock <sup>(3)</sup> | 3                            | 3                        | N.A.       | N.A.         | 2               |
| Michael Bennetts               | 6                            | N.A.                     | 1          | 1            | N.A.            |
| Ang Swee Tian <sup>(4)</sup>   | N.A.                         | N.A.                     | N.A.       | N.A.         | N.A.            |
| Lim Jit Poh <sup>(5)</sup>     | 6                            | 5                        | 1          | 1            | 4               |
| Lee Suet Fern <sup>(6)</sup>   | 2                            | 1                        | NIL        | NIL          | N.A.            |
| Paul Reed <sup>(7)</sup>       | 2                            | 1                        | N.A.       | N.A.         | 1               |
| <b>Number of Meetings Held</b> | <b>6</b>                     | <b>5</b>                 | <b>1</b>   | <b>1</b>     | <b>4</b>        |

# Statement of Corporate Governance

## Notes:

- <sup>(1)</sup> Appointed as Independent Non-Executive Director on 28 April 2008. Four Board meetings were held since his appointment. Assumed office as Chairman of the Board and Chairman of the Remuneration Committee on 14 November 2008. He is also a member of the Audit Committee and the Nominating Committee.
- <sup>(2)</sup> Appointed as Chief Executive Officer/Executive Director on 9 May 2008.
- <sup>(3)</sup> Appointed as Non-Executive and Non-Independent Director as well as member of Audit Committee and Risk Management Committee on 1 May 2008. Four Board meetings were held since his appointment. Assumed office as Chairman of Risk Management Committee on 14 November 2008.
- <sup>(4)</sup> Appointed as Independent Non-Executive Director, Chairman of Audit Committee and member of Nominating, Remuneration and Risk Management Committees on 14 November 2008. No Board and Board Committee meetings for the year 2008 were held since his appointment.
- <sup>(5)</sup> Resigned as Independent Chairman and Director, Chairman of Risk Management and Remuneration Committees, as well as member of Audit and Nominating Committees on 14 November 2008. Appointed as Senior Adviser of the Company for a term of one year from 15 November 2008.
- <sup>(6)</sup> Resigned as Independent Non-Executive Director, Chairperson of Audit and Disclosure Committees and member of Remuneration and Nominating Committees on 23 April 2008.
- <sup>(7)</sup> Resigned as Non-Executive Non-Independent Director and member of Audit and Risk Management Committees on 1 May 2008.

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

To ensure that the Directors are competent in carrying out their roles and responsibilities, regular and on-going training is provided for the Directors. These include attendance of courses co-organised by the Singapore Exchange Limited and the Singapore Institute of Directors.

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

## Board Composition and Balance

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### Principle 2

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

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### Commentary

Of the nine members on the Board, six are nominated by substantial shareholders and three are Independent Directors. Independent Directors constitute at least one-third of the Board. None of nine Board members is related to one another.

At least two Independent Directors are resident in Singapore, in accordance to the recommendation of the CGAC. These two Independent Directors are Dr Wang Kai Yuen and Mr Ang Swee Tian.

In addition, the CGAC recommended that the Chairman of the Board should be "one who has experience serving as a chairman of a reputable public listed company in Singapore. The candidate should also have a good working relationship with the various regulators in Singapore, as well as with the shareholders' association, Securities Investors Association (Singapore). He should also command the respect of the investing public".

The Chairman of the Board, Dr Wang Kai Yuen, meets the above criteria. He has extensive experience as Director of public-listed companies in Singapore and currently holds directorship positions in a number of public-listed companies. He has good working relationships with the various regulators in Singapore.



# Statement of Corporate Governance

The Nominating Committee reviews each Director's independence. The Board considered Mr Lim Jit Poh as an Independent, Non-Executive Director during his tenure of service although he rendered professional services to the Company during the financial year until the appointment of Mr Meng Fanqiu as Chief Executive Officer of the Company and the disbandment of the Senior Officers Meeting on 9 May 2008. Notwithstanding this, the Board assessed him to be independent due to his manifest ability to exercise strong independent judgement in his deliberations and act in the best interests of the Company.

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

## Chairman and Chief Executive Officer

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### Principle 3

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

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### Commentary

The Chairman of the Board, Dr Wang Kai Yuen, is an Independent Non-Executive Director. He acts independently in the best interests of the Company and the Group.

The Chairman is primarily responsible for overseeing the overall management and strategic development of the Company. With the assistance of the Company Secretary, he regulates Board meetings and ensures that all procedures and good governance practices are complied with.

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

The Chairman is in constant consultation with the Board and the various Board committees on major issues. As such, the Board believes there are adequate safeguards in place against having a concentration of power and authority in a single individual.

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

## Board Membership

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### Principle 4

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

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### Commentary

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

### Nominating Committee

|                  |               |
|------------------|---------------|
| Liu Fuchun       | Chairman      |
| Zhao Shousen     | Vice Chairman |
| Wang Kai Yuen    | Member        |
| Michael Bennetts | Member        |
| Ang Swee Tian    | Member        |

# Statement of Corporate Governance

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

The responsibilities of the Nominating Committee include:

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

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

In 2008, with the respective resignations of Mrs Lee Suet Fern, Mr Paul Reed and Mr Lim Jit Poh on 23 April 2008, 1 May 2008 and 14 November 2008 as Directors of the Company, the Nominating Committee nominated three new Directors, Dr Wang Kai Yuen, Mr Timothy Bullock and Mr Ang Swee Tian, to the Board. Mr Timothy Bullock is a BP nominee whilst Dr Wang Kai Yuen and Mr Ang Swee Tian are Independent Directors. The Board approved the said nominations and appointed Dr Wang, Mr Bullock and Mr Ang as members of the Board of Directors.

Pursuant to Article 97 of the Company's Articles of Association, Dr Wang Kai Yuen, Mr Timothy Bullock and Mr Ang Swee Tian shall retire at the forthcoming Annual General Meeting ("**AGM**"). The Nominating Committee nominated and the Board approved Dr Wang, Mr Bullock and Mr Ang to seek for re-election at the forthcoming AGM. Pursuant to Article 91, one-third of the members of the Board of Directors shall retire. For the AGM, Mr Liu Fuchun and Mr Michael Bennetts 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**

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### Principle 5

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

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## **Commentary**

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

The Nominating Committee completed a Board assessment and effectiveness questionnaire for 2008 and evaluated the Board's performance based on how the Board has enhanced the long-term shareholder value. The Nominating Committee is satisfied with the current composition and performance of the Board as a whole.

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

# Statement of Corporate Governance

## Access to Information

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### Principle 6

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

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### Commentary

In accordance with the recommendations of the CGAC, enhanced communication processes between the Board and Management in terms of information flow are in place.

Agenda for meetings and all Board papers for discussions are circulated to Directors in advance so that the Directors are prepared for the meetings.

The Board as a whole as well as individual Directors have direct access to Management represented by senior executive officers of the Company and the 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 supply any additional information that the Board requires. Management and senior executives are invited by the Board to attend its meetings to present their proposals or to answer any questions that Board members may have.

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

## (B) REMUNERATION MATTERS

### Procedures for developing Remuneration Policies

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#### Principle 7

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

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### Level and Mix of Remuneration

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#### Principle 8

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

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### Disclosure on Remuneration

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#### Principle 9

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

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# Statement of Corporate Governance

## Commentary

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

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

## Remuneration Committee

|                  |               |
|------------------|---------------|
| Wang Kai Yuen    | Chairman      |
| Zhao Shousen     | Vice Chairman |
| Liu Fuchun       | Member        |
| Michael Bennetts | 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.

Broadly, remuneration for the Executive Directors and senior executive officers 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 and five key executives (who are not also Directors) in bands of S\$250,000 are set out below:

| Remuneration Band & Name of Director  | Fee (%) | Base/fixed salary and allowance (%) | Variable/ performance (%) | Others (%) | Share options/ Long Term incentives (%) | Total (%) |
|---------------------------------------|---------|-------------------------------------|---------------------------|------------|---|-----------|
| <b>Above S\$250,000 to S\$500,000</b> |         |                                     |                           |            |   |           |
| Meng Fanqiu <sup>(1)</sup>            | 4       | 93                                  | 0                         | 3          | 0                                       | 100       |
| Zhang Zhenqi                          | 0       | 98                                  | 0                         | 2          | 0                                       | 100       |
| Lim Jit Poh <sup>(2)</sup>            | 98      | 0                                   | 0                         | 2          | 0                                       | 100       |
| <b>Below S\$250,000</b>               |         |                                     |                           |            |   |           |
| Wang Kai Yuen <sup>(3)</sup>          | 89      | 0                                   | 0                         | 11         | 0                                       | 100       |
| Sun Li                                | 82      | 0                                   | 0                         | 18         | 0                                       | 100       |
| Zhao Shousen                          | 89      | 0                                   | 0                         | 11         | 0                                       | 100       |
| Liu Fuchun                            | 85      | 0                                   | 0                         | 15         | 0                                       | 100       |
| Timothy Bullock <sup>(4)</sup>        | 92      | 0                                   | 0                         | 8          | 0                                       | 100       |
| Michael Bennetts                      | 92      | 0                                   | 0                         | 8          | 0                                       | 100       |
| Ang Swee Tian <sup>(5)</sup>          | 79      | 0                                   | 0                         | 21         | 0                                       | 100       |
| Lee Suet Fern <sup>(6)</sup>          | 94      | 0                                   | 0                         | 6          | 0                                       | 100       |
| Paul Reed <sup>(7)</sup>              | 93      | 0                                   | 0                         | 7          | 0                                       | 100       |

# Statement of Corporate Governance

## Notes:

- <sup>(1)</sup> Appointed as Chief Executive Officer/Executive Director on 9 May 2008.
- <sup>(2)</sup> Resigned as Independent Chairman and Director, Chairman of Risk Management and Remuneration Committees, member of Audit and Nominating Committees on 14 November 2008. In addition to Director's fees, Mr Lim was paid special fees for professional services rendered from 1 January 2008 to 9 May 2008. Further details can be found under the Supplementary Information on page 99. Mr Lim was appointed as Senior Adviser to the Company for a term of one year from 15 November 2008.
- <sup>(3)</sup> Appointed as Independent Non-Executive Director on 28 April 2008. Assumed office as Chairman of the Board and Chairman of the Remuneration Committee on 14 November 2008. He is also a member of the Audit Committee and the Nominating Committee.
- <sup>(4)</sup> Appointed as Non-Executive and Non-Independent Director as well as member of the Audit Committee and the Risk Management Committee on 1 May 2008. He was also appointed as Chairman of the Risk Management Committee on 14 November 2008.
- <sup>(5)</sup> Appointed as Independent Non-Executive Director, Chairman of the Audit Committee and member of the Nominating, Remuneration and Risk Management Committees on 14 November 2008.
- <sup>(6)</sup> Resigned as Independent Non-Executive Director, Chairperson of the Audit and Disclosure Committees and member of the Remuneration and the Nominating Committees on 23 April 2008.
- <sup>(7)</sup> Resigned as Non-Executive Non-Independent Director and member of the Audit and Risk Management Committees on 1 May 2008.

| Remuneration Band and Name of Key Executive | Base/fixed salary and allowance (%) | Variable/performance (%) | Others (%) | Share options/ Long Term incentives (%) | Total (%) |
|---|-------------------------------------|--------------------------|------------|---|-----------|
| <b>Above S\$250,000 to S\$500,000</b>       |                                     |                          |            |   |           |
| Wang Chunyan                                | 98                                  | 0                        | 2          | 0                                       | 100       |
| Jean Teo                                    | 100                                 | 0                        | 0          | 0                                       | 100       |
| Oi Mow Lie                                  | 100                                 | 0                        | 0          | 0                                       | 100       |
| <b>Below \$250,000</b>                      |                                     |                          |            |   |           |
| Doreen Nah                                  | 100                                 | 0                        | 0          | 0                                       | 100       |
| Tee Siew Kim                                | 100                                 | 0                        | 0          | 0                                       | 100       |

There are no employees in the Group who are immediate family members of the Chairman or any of the Directors.

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

- Basic/fixed salary – The basic salary (inclusive of statutory employer contributions to Central Provident Fund) for each Executive Director or key management personnel is recommended by the Remuneration Committee, taking into account the performance of the individual for the financial year 2008, the inflation price index and information from independent sources on the pay scale for similar jobs in a selected group of comparable organisations.
- Fees – Fees paid or payable to Non-Executive Directors take into account factors such as effort and time spent, and responsibilities of these Directors.
- Variable/Performance – The Group operates a bonus scheme for all employees including the Executive Directors. The criteria for the 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. Bonuses payable to the Executive Directors and senior executive officers are reviewed by the Remuneration Committee.
- 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

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

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#### Principle 10

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

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### Commentary

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

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

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

### Audit Committee

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#### Principle 11

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

---

### 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        |
| Timothy Bullock | Member        |

The Audit Committee held five meetings in 2008 where it met with external and internal auditors to review both the Company and the Group's financials and audit reports. A key issue for discussion is the financial statements and announcements made by the Company to shareholders. The members of the 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 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.



# Statement of Corporate Governance

The Audit Committee has full access to and cooperation 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 revised general mandate on Interested Person Transactions (“Revised IPT Mandate”) adopted by shareholders at the Extraordinary General Meeting held in August 2008, 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 LLP 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 LLP will not prejudice their independence and objectivity before confirming their re-nomination.

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

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

## (D) INTERNAL CONTROLS

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### Principle 12

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

---

### Commentary

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

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

### Risk Management Committee

|                 |          |
|-----------------|----------|
| Timothy Bullock | Chairman |
| Zhao Shousen    | Member   |
| Ang Swee Tian   | Member   |

The Risk Management Committee is responsible for assessing and making recommendations to the Board concerning how to manage the Company’s and the Group’s business risks. The Head of Risk Management reports directly to the Risk Management Committee. Under the guidance of the Risk Management Committee, the Company developed the Risk Management Manual. This Risk Management Manual is the foundation by which the Company identifies and manages business risks.

# Statement of Corporate Governance

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

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

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

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

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

## Internal Audit

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### Principle 13

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

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### Commentary

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

The Audit Committee thus appointed Grant Thornton as the Company's independent internal auditor. The internal auditor 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.

After consultation with the Audit Committee, Grant Thornton presented their internal audit plan 2008 to the Audit Committee. Grant Thornton has set out a three-year rolling plan to do a comprehensive internal audit of the Company's policies and procedures. The Audit Committee adopted the proposed audit plan.

## (E) COMMUNICATION WITH SHAREHOLDERS

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### Principle 14

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

---

### 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.

### Principle 15

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

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# Statement of Corporate Governance

## **Commentary**

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

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

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

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

## **Dealings in the Company's Securities**

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

## **Interested Person Transactions**

Shareholders have adopted a Revised IPT Mandate. The Revised IPT Mandate sets out the levels and procedures to obtain approval for such transactions. Information regarding the Revised IPT Mandate is available on the Company's website at [www.caosco.com](http://www.caosco.com). All business units are required to be familiar with the Revised 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 2008 is found under "Supplementary Information" on page 99.

## **Special Corporate Governance Review**

During the year, the Company engaged Grant Thornton to undertake a special corporate governance review on the Company's approach to information flow and the management of decision making, review and oversight, in terms of compliance with established corporate governance standards and practices and WongPartnership LLP ("WongPartnership") to review the report for the Company and give its comments and recommendations.

The findings of the Special Corporate Governance Review Report dated 1 July 2008 submitted by Grant Thornton and reviewed by WongPartnership, are summarised as follows:

- (i) The Company was generally in compliance with (i) the principles, guidelines and commentaries of principles 2, 3, 6 and 10 of the 2005 Code and the recommendations of the CGAC set out in its report dated 9 December 2005 which included inter alia, recommendations relating to Board Constitution, Corporate Governance, Communication between the Board and Management; and Communication between Substantial Shareholders and the Board; and
- (ii) The Company was generally in compliance with the guidelines of principle 6 of the 2005 Code which requires that the Board be given complete, adequate information in a timely manner, as well as that the information should include background or explanatory information relating to matters brought before the Board.

# Financial Statements

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# Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2008.

## DIRECTORS

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

|   |                                 |
|---|---------------------------------|
| Dr Wang Kai Yuen – Chairman                                 | (Appointed on 28 April 2008)    |
| Sun Li – Deputy Chairman                                    |                                 |
| Meng Fanqiu – Chief Executive Officer/Executive Director    |                                 |
| Zhang Zhenqi – Executive Director/General Manager (Trading) |                                 |
| Ang Swee Tian   | (Appointed on 14 November 2008) |
| Michael J Bennetts  |                                 |
| Timothy Bullock   | (Appointed on 1 May 2008)       |
| Liu Fuchun  |                                 |
| 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), no director 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 of the financial year, or date of appointment if later, or at the end of the financial year.

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.

During the financial year, the Company has in the normal course of business entered into transactions with a firm in which a director is deemed to have an interest. Such transactions comprised professional fees which are paid on transactions carried out on normal commercial terms in the normal course of business of the Company. However, the director has neither received nor will be entitled to receive any benefit arising out of these transactions other than those to which he may be entitled as a member of this firm.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 20 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## SHARE OPTIONS

During the financial year, there were:

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

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

# Directors' Report

## 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
- Dr Wang Kai Yuen, non-executive, independent director
- Liu Fuchun, non-executive, independent director
- Timothy Bullock, non-executive, non-independent director

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

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

The Audit Committee also reviewed the following:

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

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

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

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

On behalf of the Board of Directors

**Dr Wang Kai Yuen**  
*Chairman*

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

19 March 2009

# Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 66 to 98 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 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

**Dr Wang Kai Yuen**

*Chairman*

**Meng Fanqiu**

*Chief Executive Officer/Executive Director*

19 March 2009

# Independent Auditors' Report

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

We have audited the financial statements of China Aviation Oil (Singapore) Corporation Ltd (the Company) and its subsidiary (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 66 to 98.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

- (a) 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;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

## 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 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 and fair presentation of the financial statements 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:

- (a) the consolidated financial statements of the Group and the balance sheet 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 2008 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) 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

19 March 2009



# Balance Sheets

As at 31 December 2008

|   | Note | Group            |                  | Company          |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2008<br>US\$'000 | 2007<br>US\$'000 | 2008<br>US\$'000 | 2007<br>US\$'000 |
| <b>Non-current assets</b>                                       |      |                  |                  |                  |                  |
| Property, plant and equipment                                   | 3    | 8,296            | 6,808            | 8,296            | 6,808            |
| Intangible assets   | 4    | 174              | 269              | 174              | 269              |
| Subsidiary  | 5    | –                | –                | –                | –                |
| Associates  | 6    | 82,005           | 97,108           | 35,911           | 35,911           |
|   |      | <u>90,475</u>    | <u>104,185</u>   | <u>44,381</u>    | <u>42,988</u>    |
| <b>Current assets</b>   |      |                  |                  |                  |                  |
| Trade and other receivables                                     | 7    | 251,522          | 283,460          | 251,522          | 283,460          |
| Cash and cash equivalents                                       | 8    | 153,102          | 300,472          | 153,081          | 299,517          |
|   |      | <u>404,624</u>   | <u>583,932</u>   | <u>404,603</u>   | <u>582,977</u>   |
| <b>Total assets</b>   |      | <u>495,099</u>   | <u>688,117</u>   | <u>448,984</u>   | <u>625,965</u>   |
| <b>Equity attributable to equity holders<br/>of the Company</b> |      |                  |                  |                  |                  |
| Share capital   | 9    | 215,573          | 215,573          | 215,573          | 215,573          |
| Reserves  | 10   | 60,127           | 53,009           | 14,016           | (7,789)          |
| <b>Total equity</b>   |      | <u>275,700</u>   | <u>268,582</u>   | <u>229,589</u>   | <u>207,784</u>   |
| <b>Current liabilities</b>                                      |      |                  |                  |                  |                  |
| Trade and other payables  | 11   | 219,399          | 413,232          | 219,395          | 413,215          |
| Current tax payable   |      | –                | 6,303            | –                | 4,966            |
| <b>Total liabilities</b>  |      | <u>219,399</u>   | <u>419,535</u>   | <u>219,395</u>   | <u>418,181</u>   |
| <b>Total equity and liabilities</b>                             |      | <u>495,099</u>   | <u>688,117</u>   | <u>448,984</u>   | <u>625,965</u>   |

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

# Consolidated Income Statement

Year ended 31 December 2008

|  | Note | 2008<br>US\$'000 | 2007<br>US\$'000 |
|--|------|------------------|------------------|
| Revenue                                      | 12   | 5,370,244        | 2,957,971        |
| Cost of sales                                |      | (5,347,712)      | (2,946,476)      |
| <b>Gross profit</b>                          |      | 22,532           | 11,495           |
| Other income                                 | 13   | 5,838            | 173,122          |
| Administrative expenses                      |      | (5,512)          | (6,403)          |
| Other operating expenses                     |      | 619              | (1,370)          |
| <b>Results from operating activities</b>     |      | 23,477           | 176,844          |
| Finance costs                                | 14   | (542)            | (6,658)          |
| Share of profits of associates (net of tax)  |      | 10,516           | 25,475           |
| <b>Profit before income tax</b>              |      | 33,451           | 195,661          |
| Income tax credit/(expense)                  | 15   | 4,894            | (27,919)         |
| <b>Profit for the year</b>                   | 13   | 38,345           | 167,742          |
| <b>Attributable to:</b>                      |      |                  |                  |
| Equity holders of the Company                |      | 38,345           | 168,334          |
| Minority interest                            |      | –                | (592)            |
|  |      | 38,345           | 167,742          |
| <b>Earnings per share:</b>                   |      |                  |                  |
| Basic and diluted earnings per share (cents) | 16   | 5.30             | 23.29            |

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

# Consolidated Statement of Changes in Equity

Year ended 31 December 2008

| Group   | Share<br>capital<br>US\$'000 | Foreign<br>currency<br>translation<br>reserve<br>US\$'000 | Statutory<br>reserve<br>US\$'000 | Accumulated<br>(loss)/<br>profit<br>US\$'000 | Total<br>attributable<br>to equity<br>holders<br>of the<br>Company<br>US\$'000 | Minority<br>interest<br>US\$'000 | Total<br>equity<br>US\$'000 |
|---|------------------------------|---|----------------------------------|--|--|----------------------------------|-----------------------------|
|   |                              |   |                                  |  |  |                                  |                             |
| At 1 January 2007   | 215,573                      | 3,214   | 6,925                            | (120,009)                                    | 105,703  | 1,073                            | 106,776                     |
| Translation differences relating<br>to financial statements of<br>foreign subsidiary and<br>associate/Net gain recognised<br>directly in equity | -                            | 4,074   | -                                | -  | 4,074  | 20                               | 4,094                       |
| Net profit/(loss) for the year  | -                            | -   | -                                | 168,334                                      | 168,334  | (592)                            | 167,742                     |
| Total recognised income and<br>expense for the year   | -                            | 4,074   | -                                | 168,334                                      | 172,408  | (572)                            | 171,836                     |
| Disposal of equity interest in<br>a subsidiary  | -                            | -   | -                                | -  | -  | (501)                            | (501)                       |
| Transfer from accumulated<br>profits to statutory reserve   | -                            | -   | 108                              | (108)  | -  | -                                | -                           |
| Final tax exempt dividend<br>paid of S\$0.02 per share<br>in respect of 2006  | -                            | -   | -                                | (9,529)                                      | (9,529)  | -                                | (9,529)                     |
| At 31 December 2007   | 215,573                      | 7,288   | 7,033                            | 38,688                                       | 268,582  | -                                | 268,582                     |

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

# Consolidated Statement of Changes in Equity

Year ended 31 December 2008

| Group  | Share<br>capital<br>US\$'000 | Foreign<br>translation<br>reserve<br>US\$'000 | Hedging<br>reserve<br>US\$'000 | Statutory<br>reserve<br>US\$'000 | Accumulated<br>profits<br>US\$'000 | Total<br>attributable<br>to equity<br>holders<br>of the<br>Company<br>US\$'000 | Minority<br>interest<br>US\$'000 | Total<br>equity<br>US\$'000 |
|--|------------------------------|---|--------------------------------|----------------------------------|------------------------------------|--|----------------------------------|-----------------------------|
|  |                              |   |                                |                                  |                                    |  |                                  |                             |
| At 1 January 2008  | 215,573                      | 7,288   | –                              | 7,033                            | 38,688                             | 268,582  | –                                | 268,582                     |
| Translation differences relating to financial statements of foreign associates               | –                            | 5,456   | –                              | –                                | –                                  | 5,456  | –                                | 5,456                       |
| Effective portion of changes in fair value of cash flow hedges, net of tax                   | –                            | –   | (14,250)                       | –                                | –                                  | (14,250)   | –                                | (14,250)                    |
| Net change in fair value of cash flow hedges transferred to the income statement, net of tax | –                            | –   | 14,250                         | –                                | –                                  | 14,250   | –                                | 14,250                      |
| Net gains recognised directly in equity  | –                            | 5,456   | –                              | –                                | –                                  | 5,456  | –                                | 5,456                       |
| Net profit for the year  | –                            | –   | –                              | –                                | 38,345                             | 38,345   | –                                | 38,345                      |
| Total recognised income and expense for the year   | –                            | 5,456   | –                              | –                                | 38,345                             | 43,801   | –                                | 43,801                      |
| Final tax exempt dividend paid of S\$0.02 per share in respect of 2007                       | –                            | –   | –                              | –                                | (10,481)                           | (10,481)   | –                                | (10,481)                    |
| Special tax exempt dividend paid of S\$0.05 per share in respect of 2007                     | –                            | –   | –                              | –                                | (26,202)                           | (26,202)   | –                                | (26,202)                    |
| At 31 December 2008  | 215,573                      | 12,744  | –                              | 7,033                            | 40,350                             | 275,700  | –                                | 275,700                     |

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



# Consolidated Cash Flow Statement

Year ended 31 December 2008

|  | 2008<br>US\$'000    | 2007<br>US\$'000    |
|--|---------------------|---------------------|
| <b>Operating activities</b>  |                     |                     |
| Profit for the year  | 38,345              | 167,742             |
| Adjustments for:   |                     |                     |
| Depreciation and write-off of property, plant and equipment                          | 556                 | 407                 |
| Amortisation of intangible assets  | 106                 | 43                  |
| Gain on disposal of non-current investment held for sale                             | –                   | (160,165)           |
| Gain on disposal of equity interest in a subsidiary                                  | –                   | (634)               |
| Gain on disposal of property, plant and equipment                                    | (53)                | –                   |
| Impairment losses on property, plant and equipment (reversed)/made                   | (1,992)             | 1,593               |
| Share of profits of associates (net of tax)  | (10,516)            | (25,475)            |
| Interest income  | (5,073)             | (8,729)             |
| Interest expenses  | –                   | 6,145               |
| Income tax (credit)/expense  | (4,894)             | 27,919              |
| Unrealised exchange differences  | 1,210               | (219)               |
|  | <hr/> 17,689        | <hr/> 8,627         |
| Changes in working capital:  |                     |                     |
| Trade and other receivables  | 63,089              | (47,234)            |
| Trade and other payables   | (194,341)           | 189,748             |
| Cash (used in)/generated from operations   | <hr/> (113,563)     | <hr/> 151,141       |
| Income taxes paid  | (1,115)             | (26,190)            |
| <b>Cash flows from operating activities</b>  | <hr/> (114,678)     | <hr/> 124,951       |
| <b>Investing activities</b>  |                     |                     |
| Interest received  | 5,211               | 8,452               |
| Purchase of property, plant and equipment  | (80)                | (317)               |
| Purchase of intangible assets  | (11)                | (312)               |
| Proceeds from disposal of non-current investment held for sale                       | –                   | 224,663             |
| Proceeds from disposal of interest in a subsidiary, net of cash disposed of (Note a) | –                   | 2,272               |
| Proceeds from disposal of property, plant and equipment                              | 81                  | –                   |
| <b>Cash flows from investing activities</b>  | <hr/> 5,201         | <hr/> 234,758       |
| <b>Financing activities</b>  |                     |                     |
| Interest paid  | –                   | (2,459)             |
| Dividend paid  | (36,683)            | (9,529)             |
| Payments to scheme creditors   | –                   | (136,963)           |
| Release of Escrow account balance  | –                   | 4,119               |
| <b>Cash flows from financing activities</b>  | <hr/> (36,683)      | <hr/> (144,832)     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                          | (146,160)           | 214,877             |
| Cash and cash equivalents at beginning of the year                                   | 300,472             | 85,376              |
| Effect of exchange rate fluctuations on cash held                                    | (1,210)             | 219                 |
| <b>Cash and cash equivalents at end of the year</b>                                  | <hr/> <hr/> 153,102 | <hr/> <hr/> 300,472 |

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

# Consolidated Cash Flow Statement

Year ended 31 December 2008

## **Note a**

In the previous financial year, the Group disposed of its 41% equity interest in a subsidiary for a consideration of US\$2,788,000. The effects on disposal of the subsidiary's net assets are as follows:

|   | <b>2007</b><br><b>US\$'000</b> |
|---|--------------------------------|
| Property, plant and equipment                                 | 1,198                          |
| Trade and other receivables                                   | 1,940                          |
| Cash and cash equivalents                                     | 516                            |
| Trade and other payables                                      | (23)                           |
| Minority interest   | (501)                          |
| Amount reclassified as investment in associate                | (976)                          |
| Net identifiable assets disposed of                           | <u>2,154</u>                   |
| Gain on disposal  | <u>634</u>                     |
| Cash consideration received, satisfied in cash                | 2,788                          |
| Cash disposed of  | <u>(516)</u>                   |
| Net cash flows from disposal of equity interest in subsidiary | <u><u>2,272</u></u>            |

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

# Notes to the Financial Statements

Year ended 31 December 2008

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 19 March 2009.

## 1 DOMICILE AND ACTIVITIES

China Aviation Oil (Singapore) Corporation Ltd (the Company) is incorporated in the Republic of Singapore and has its registered office at 8 Temasek Boulevard, #31-02 Suntec Tower Three, Singapore 038988.

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

The principal activity of the subsidiary is set out in note 5 below.

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

The consolidated financial statements relate to the Company and its subsidiary (together referred to as the Group) and the Group's interests in associates.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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

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.

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

The 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.

Judgements made by management in the application of FRS that have a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the following year are discussed in note 22.

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

# Notes to the Financial Statements

Year ended 31 December 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Consolidation

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

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. 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.

#### ***Associates***

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income, expenses and equity movements of associates, after adjustments to align the accounting policies 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 associate.

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

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

#### ***Accounting for subsidiaries and associates***

Investments in subsidiaries and associates are stated in the Company's balance sheet at cost less accumulated impairment losses.



# Notes to the Financial Statements

Year ended 31 December 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Foreign currencies

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to US dollars or the Chinese renminbi, which are the functional currencies of Group entities, at the exchange rate at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Foreign currency differences arising on retranslation are recognised in the income statement. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates at the date of the transaction.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated to US dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to US dollars at exchange rates prevailing 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 the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

### 2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis over their estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

|                        |               |
|------------------------|---------------|
| Leasehold properties   | 50 years      |
| Oil storage properties | 4 to 30 years |
| Motor vehicles         | 5 to 10 years |
| Furniture and fittings | 5 years       |
| Office equipment       | 5 years       |
| Renovations            | 5 years       |
| Computers              | 3 years       |

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

# Notes to the Financial Statements

Year ended 31 December 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.5 Intangible assets

#### **Goodwill**

Goodwill and negative goodwill arise on the acquisition of subsidiaries and associates.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates is presented together with investments in associates.

Negative goodwill is the excess of the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries acquired over the cost of the business combination. Negative goodwill is recognised immediately in the income statement.

#### **Other intangible assets**

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

### 2.6 Financial instruments

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

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits.

# Notes to the Financial Statements

Year ended 31 December 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.6 Financial instruments (cont'd)

#### ***Derivative financial instruments and hedging activities***

The Group holds derivative financial instruments to hedge its risk associated with fluctuations in oil prices.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, they are measured at fair value. For derivatives where hedge accounting is not applied, the gain or loss on remeasurement to fair value is recognised immediately in the income statement. For derivatives where hedge accounting is applied, changes therein are accounted for as described below.

#### *Cash flow hedges*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects profit or loss.

#### ***Impairment of financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

Impairment losses in respect of financial assets measured at amortised cost are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

#### ***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.

# Notes to the Financial Statements

Year ended 31 December 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.7 Impairment – non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

The recoverable amount of an asset or cash-generating unit 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 cash-generating unit.

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 have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 2.8 Employee benefits

#### *Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision 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.

### 2.9 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.



# Notes to the Financial Statements

Year ended 31 December 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.10 Revenue recognition

#### ***Sale of goods***

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

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

Gains or losses on paper swaps which are classified as held for trading purposes are recognised in the income statement on a net basis.

#### ***Interest income***

Interest income is recognised as it accrues, using the effective interest method.

#### ***Dividend income***

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

### 2.11 Finance costs

Finance costs comprise interest expense on borrowings and unwinding of imputed interest relating to amounts due to scheme creditors. All borrowing costs are recognised in the income statement using the effective interest method.

### 2.12 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income 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 using the balance sheet method, providing for 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 temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the 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 to the extent that it is probable that future taxable profits will be available against which the temporary differences 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.

# Notes to the Financial Statements

Year ended 31 December 2008

## 3 PROPERTY, PLANT AND EQUIPMENT

| Group   | Leasehold  | Oil      | Motor    | Furniture | Office    | Renovations | Computers | Total    |
|---|------------|----------|----------|-----------|-----------|-------------|-----------|----------|
|   | properties | storage  | vehicles | and       | equipment |             |           |          |
|   | US\$'000   | US\$'000 | US\$'000 | fittings  | US\$'000  | US\$'000    | US\$'000  | US\$'000 |
| <b>Cost</b>   |            |          |          |           |           |             |           |          |
| At 1 January 2007                                     | 9,205      | 2,982    | 581      | 65        | 167       | 656         | 283       | 13,939   |
| Additions   | –          | 94       | –        | 4         | 9         | 98          | 112       | 317      |
| Disposals   | –          | (10)     | –        | –         | (35)      | (108)       | (4)       | (157)    |
| Disposal of equity interest in a subsidiary           | –          | (3,145)  | (92)     | –         | (11)      | –           | –         | (3,248)  |
| Translation differences on consolidation              | –          | 79       | 2        | –         | –         | 1           | –         | 82       |
| At 31 December 2007                                   | 9,205      | –        | 491      | 69        | 130       | 647         | 391       | 10,933   |
| Additions   | –          | –        | –        | –         | 47        | –           | 33        | 80       |
| Disposals   | –          | –        | (275)    | –         | –         | –           | (182)     | (457)    |
| At 31 December 2008                                   | 9,205      | –        | 216      | 69        | 177       | 647         | 242       | 10,556   |
| <b>Accumulated depreciation and impairment losses</b> |            |          |          |           |           |             |           |          |
| At 1 January 2007                                     | 2,771      | 305      | 335      | 56        | 145       | 415         | 251       | 4,278    |
| Depreciation charge for the year                      | 143        | 76       | 50       | 5         | 7         | 98          | 24        | 403      |
| Impairment losses                                     | –          | 1,593    | –        | –         | –         | –           | –         | 1,593    |
| Disposal of equity interest in a subsidiary           | –          | (2,017)  | (27)     | –         | (6)       | –           | –         | (2,050)  |
| Disposals   | –          | (9)      | –        | –         | (32)      | (108)       | (4)       | (153)    |
| Translation differences on consolidation              | –          | 52       | 1        | –         | –         | 1           | –         | 54       |
| At 31 December 2007                                   | 2,914      | –        | 359      | 61        | 114       | 406         | 271       | 4,125    |
| Depreciation charge for the year                      | 378        | –        | 29       | 4         | 12        | 83          | 50        | 556      |
| Disposals   | –          | –        | (247)    | –         | –         | –           | (182)     | (429)    |
| Reversal of impairment losses                         | (1,992)    | –        | –        | –         | –         | –           | –         | (1,992)  |
| At 31 December 2008                                   | 1,300      | –        | 141      | 65        | 126       | 489         | 139       | 2,260    |
| <b>Carrying amount</b>                                |            |          |          |           |           |             |           |          |
| At 1 January 2007                                     | 6,434      | 2,677    | 246      | 9         | 22        | 241         | 32        | 9,661    |
| At 31 December 2007                                   | 6,291      | –        | 132      | 8         | 16        | 241         | 120       | 6,808    |
| At 31 December 2008                                   | 7,905      | –        | 75       | 4         | 51        | 158         | 103       | 8,296    |

# Notes to the Financial Statements

Year ended 31 December 2008

## 3 PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Company   | Leasehold<br>properties<br>US\$'000 | Motor<br>vehicles<br>US\$'000 | Furniture<br>and<br>Office |                       | Renovations<br>US\$'000 | Computers<br>US\$'000 | Total<br>US\$'000 |
|---|-------------------------------------|-------------------------------|----------------------------|-----------------------|-------------------------|-----------------------|-------------------|
|   |                                     |                               | fittings<br>US\$'000       | equipment<br>US\$'000 |                         |                       |                   |
| <b>Cost</b>   |                                     |                               |                            |                       |                         |                       |                   |
| At 1 January 2007   | 9,205                               | 408                           | 65                         | 148                   | 549                     | 282                   | 10,657            |
| Additions   | –                                   | –                             | 4                          | 9                     | 98                      | 112                   | 223               |
| Disposals   | –                                   | –                             | –                          | (27)                  | –                       | (3)                   | (30)              |
| At 31 December 2007                                       | 9,205                               | 408                           | 69                         | 130                   | 647                     | 391                   | 10,850            |
| Additions   | –                                   | –                             | –                          | 47                    | –                       | 33                    | 80                |
| Disposals   | –                                   | (192)                         | –                          | –                     | –                       | (182)                 | (374)             |
| At 31 December 2008                                       | 9,205                               | 216                           | 69                         | 177                   | 647                     | 242                   | 10,556            |
| <b>Accumulated depreciation<br/>and impairment losses</b> |                                     |                               |                            |                       |                         |                       |                   |
| At 1 January 2007   | 2,771                               | 231                           | 56                         | 136                   | 308                     | 250                   | 3,752             |
| Depreciation charge for the year                          | 143                                 | 45                            | 5                          | 5                     | 98                      | 24                    | 320               |
| Disposals   | –                                   | –                             | –                          | (27)                  | –                       | (3)                   | (30)              |
| At 31 December 2007                                       | 2,914                               | 276                           | 61                         | 114                   | 406                     | 271                   | 4,042             |
| Depreciation charge for the year                          | 378                                 | 29                            | 4                          | 12                    | 83                      | 50                    | 556               |
| Disposals   | –                                   | (164)                         | –                          | –                     | –                       | (182)                 | (346)             |
| Reversal of impairment losses                             | (1,992)                             | –                             | –                          | –                     | –                       | –                     | (1,992)           |
| At 31 December 2008                                       | 1,300                               | 141                           | 65                         | 126                   | 489                     | 139                   | 2,260             |
| <b>Carrying amount</b>                                    |                                     |                               |                            |                       |                         |                       |                   |
| At 1 January 2007   | 6,434                               | 177                           | 9                          | 12                    | 241                     | 32                    | 6,905             |
| At 31 December 2007                                       | 6,291                               | 132                           | 8                          | 16                    | 241                     | 120                   | 6,808             |
| At 31 December 2008                                       | 7,905                               | 75                            | 4                          | 51                    | 158                     | 103                   | 8,296             |

The following are properties held by the Group and Company:

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

### Impairment loss and subsequent reversal

#### Oil storage properties

In the previous financial year, as a result of the low utilisation rate of the oil storage properties of a subsidiary, the management carried out a review of the recoverable amount of the oil storage properties which resulted in the recognition of an impairment loss of approximately US\$1,593,000. The impairment loss represents a write-down of the oil storage properties of the subsidiary and was recognised in other operating expenses.

# Notes to the Financial Statements

Year ended 31 December 2008

## 3 PROPERTY, PLANT AND EQUIPMENT (cont'd)

### Impairment loss and subsequent reversal (cont'd)

#### *Leasehold properties*

Based on the valuation carried out by Colliers International Consultancy & Valuation (Singapore) Pte Ltd (Colliers), a qualified independent valuer, at open market value on an existing use basis in 2004, the recoverable amount of the leasehold properties was determined to be lower than the carrying amount, and an impairment loss of US\$3,578,000 was recognised accordingly in other operating expenses.

In 2006, based on an independent valuation carried out by Colliers at open market value on an existing use basis, the Company reversed an amount of US\$1,586,000 of the impairment loss recognised in 2004. The remaining amount of US\$1,992,000 was reversed during the financial year based on an independent valuation carried out by Colliers. In arriving at the valuations of the leasehold properties, Colliers had adopted the Direct Comparison Method whereby they had analysed and studied recent sales evidence of similar properties in the vicinity. The impairment loss made in 2004 and subsequent reversals of the impairment loss in 2006 and the current financial year were recognised in other operating expenses.

## 4 INTANGIBLE ASSETS

US\$'000

### Group and Company

#### Cost

|                     |     |
|---------------------|-----|
| At 1 January 2007   | –   |
| Additions           | 312 |
| At 31 December 2007 | 312 |
| Additions           | 11  |
| At 31 December 2008 | 323 |

#### Accumulated amortisation and impairment losses

|                                  |     |
|----------------------------------|-----|
| At 1 January 2007                | –   |
| Amortisation charge for the year | 43  |
| At 31 December 2007              | 43  |
| Amortisation charge for the year | 106 |
| At 31 December 2008              | 149 |

#### Carrying amount

|                     |     |
|---------------------|-----|
| At 1 January 2007   | –   |
| At 31 December 2007 | 269 |
| At 31 December 2008 | 174 |

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



# Notes to the Financial Statements

Year ended 31 December 2008

## 5 SUBSIDIARY

|                                     | Company          |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2008<br>US\$'000 | 2007<br>US\$'000 |
| Unquoted equity investment, at cost | –                | –                |

Details of the subsidiary are as follows:

| Name of subsidiary    | Country of incorporation | Effective equity held by the Group |           |
|-----------------------|--------------------------|------------------------------------|-----------|
|                       |                          | 2008<br>%                          | 2007<br>% |
| # CAOT Pte Ltd (CAOT) | Singapore                | 100                                | 100       |

# Audited by KPMG LLP, Singapore.

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

## 6 ASSOCIATES

|                           | Group            |                  | Company          |                  |
|---------------------------|------------------|------------------|------------------|------------------|
|                           | 2008<br>US\$'000 | 2007<br>US\$'000 | 2008<br>US\$'000 | 2007<br>US\$'000 |
| Investments in associates | 82,005           | 97,108           | 37,300           | 37,300           |
| Impairment losses         | –                | –                | (1,389)          | (1,389)          |
|                           | <u>82,005</u>    | <u>97,108</u>    | <u>35,911</u>    | <u>35,911</u>    |

The investments in associates as at 31 December 2008 include goodwill amounting to US\$21,710,000 (2007: US\$21,710,000).

Details of the associates are as follows:

| Name of associate  | Country of incorporation   | Effective equity held by the Group |           |
|--|----------------------------|------------------------------------|-----------|
|  |                            | 2008<br>%                          | 2007<br>% |
| # Shanghai Pudong International Airport<br>Aviation Fuel Supply Company Ltd (SPIA) | People's Republic of China | 33                                 | 33        |
| @ China Aviation Oil Xinyuan Petrochemicals<br>Co. Ltd (Xinyuan)                   | People's Republic of China | 39                                 | 39        |

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

@ Not considered as 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 represent 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.

# Notes to the Financial Statements

Year ended 31 December 2008

## 6 ASSOCIATES (cont'd)

In the previous financial year, the Company disposed of its equity interest of 41% in Xinyuan to a minority shareholder for a consideration of US\$2,788,000. Following the completion of the disposal, Xinyuan ceased to be a subsidiary of the Company and became an associate.

Summarised financial information on the associates is set out below:

|  | 2008<br>US\$'000 | 2007<br>US\$'000 |
|--|------------------|------------------|
| <b>Assets and liabilities</b>  |                  |                  |
| Non-current assets   | 67,370           | 63,751           |
| Current assets   | 815,898          | 743,314          |
| Total assets   | <u>883,268</u>   | <u>807,065</u>   |
| Current and total liabilities  | <u>(701,087)</u> | <u>(579,034)</u> |
| <b>Results</b>   |                  |                  |
| Revenue  | 2,821,004        | 1,784,431        |
| Expenses   | (2,789,189)      | (1,707,207)      |
| Profit after taxation  | <u>31,815</u>    | <u>77,224</u>    |
| Group's share of associates' contingent liabilities (refer to Note 19) | 35,994           | 33,546           |
| Group's share of associates' capital commitments                       | <u>–</u>         | <u>2,132</u>     |

The summarised financial information is not adjusted for the percentage of ownership held by the Group.

## 7 TRADE AND OTHER RECEIVABLES

|  | Group and Company |                  |
|--|-------------------|------------------|
|  | 2008<br>US\$'000  | 2007<br>US\$'000 |
| Trade receivables  | 153,592           | 264,079          |
| Allowance for impairment loss                            | –                 | (1,194)          |
| Net receivables  | <u>153,592</u>    | <u>262,885</u>   |
| Prepayments, deposits and other receivables              | 2,866             | 824              |
| Amounts due from:  |                   |                  |
| – immediate and ultimate holding company (non-trade)     | 1,310             | 1,462            |
| – associate (non-trade)                                  | 31,289            | 32               |
| – related corporations                                   |                   |                  |
| – trade  | 49,135            | 18,252           |
| – non-trade  | –                 | 5                |
| – related corporation of a corporate shareholder (trade) | 13,330            | –                |
|  | <u>95,064</u>     | <u>19,751</u>    |
|  | <u>251,522</u>    | <u>283,460</u>   |

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

# Notes to the Financial Statements

Year ended 31 December 2008

## 7 TRADE AND OTHER RECEIVABLES (cont'd)

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trade receivables are mainly due from customers in the jet fuel industry who are pre-dominantly based in People's Republic of China. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

The non-trade balances with the immediate and ultimate holding company, associate and related corporations are unsecured and interest-free, and are repayable on demand.

### Impairment losses

The ageing of loans and receivables at the reporting date is:

|                             | <b>Gross<br/>2008<br/>US\$'000</b> | <b>Allowance<br/>for<br/>impairment<br/>2008<br/>US\$'000</b> | <b>Gross<br/>2007<br/>US\$'000</b> | <b>Allowance<br/>for<br/>impairment<br/>2007<br/>US\$'000</b> |
|-----------------------------|------------------------------------|---|------------------------------------|---|
| <b>Group and Company</b>    |                                    |   |                                    |   |
| Not past due                | 216,057                            | –   | 281,137                            | –   |
| Past due more than one year | –                                  | –   | 1,194                              | (1,194)   |
|                             | 216,057                            | –   | 282,331                            | (1,194)   |

The change in impairment loss in respect of trade receivables during the year is as follows:

|                | <b>Group and Company<br/>2008<br/>US\$'000</b> | <b>2007<br/>US\$'000</b> |
|----------------|--|--------------------------|
| At 1 January   | 1,194  | 1,194                    |
| Written off    | (1,194)  | –                        |
| At 31 December | –  | 1,194                    |

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

## 8 CASH AND CASH EQUIVALENTS

|                                      | <b>Group</b>             |                          | <b>Company</b>           |                          |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                      | <b>2008<br/>US\$'000</b> | <b>2007<br/>US\$'000</b> | <b>2008<br/>US\$'000</b> | <b>2007<br/>US\$'000</b> |
| Cash at bank and in hand             | 3,403                    | 28,512                   | 3,382                    | 28,367                   |
| Deposits with financial institutions | 149,699                  | 271,960                  | 149,699                  | 271,150                  |
|                                      | 153,102                  | 300,472                  | 153,081                  | 299,517                  |

# Notes to the Financial Statements

Year ended 31 December 2008

## 8 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 follows:

|                | 2008            |                          | 2007            |                          |
|----------------|-----------------|--------------------------|-----------------|--------------------------|
|                | Interest rate % | Carrying amount US\$'000 | Interest rate % | Carrying amount US\$'000 |
| <b>Group</b>   |                 |                          |                 |                          |
| US\$ deposits  | 1.08            | 117,480                  | 4.61            | 268,670                  |
| S\$ deposits   | 0.41            | 32,219                   | 1.44            | 3,290                    |
|                |                 | <u>149,699</u>           |                 | <u>271,960</u>           |
| <b>Company</b> |                 |                          |                 |                          |
| US\$ deposits  | 1.08            | 117,480                  | 4.61            | 267,860                  |
| S\$ deposits   | 0.41            | 32,219                   | 1.44            | 3,290                    |
|                |                 | <u>149,699</u>           |                 | <u>271,150</u>           |

## 9 SHARE CAPITAL

|   | Company                      |                              |
|---|------------------------------|------------------------------|
|   | 2008 Number of shares ('000) | 2007 Number of shares ('000) |
| <b>Fully paid ordinary shares, with no par value:</b> |                              |                              |
| At 1 January and 31 December                          | 722,821                      | 722,821                      |

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

### Capital management

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 excluding minority interest. The Board also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiary is not subject to externally imposed capital requirements.



# Notes to the Financial Statements

Year ended 31 December 2008

## 10 RESERVES

|                                      | Group            |                  | Company          |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|
|                                      | 2008<br>US\$'000 | 2007<br>US\$'000 | 2008<br>US\$'000 | 2007<br>US\$'000 |
| Foreign currency translation reserve | 12,744           | 7,288            | –                | –                |
| Statutory reserve                    | 7,033            | 7,033            | –                | –                |
| Accumulated profits/(loss)           | 40,350           | 38,688           | 14,016           | (7,789)          |
|                                      | <u>60,127</u>    | <u>53,009</u>    | <u>14,016</u>    | <u>(7,789)</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 associate of the Group established in the PRC follows 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 (中华人民共和国外商投资企业会计制度[财会字(1992)33号]) and the PRC Company Law (中华人民共和国公司法), the associate is 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. No appropriation is made during the current financial year as the statutory reserve of the associate has already reached 50% of its registered capital.
- (c) After the balance sheet date, the Directors proposed a final (one-tier tax exempt) dividend of S\$0.02 (2007: S\$0.07) per share, amounting to a net dividend of US\$10,047,000 (2007: US\$36,683,000). The dividends have not been provided for. The dividend proposed in 2007 comprised of an ordinary dividend of S\$0.02 per share and a special dividend of S\$0.05 per share.

## 11 TRADE AND OTHER PAYABLES

|                            | Group            |                  | Company          |                  |
|----------------------------|------------------|------------------|------------------|------------------|
|                            | 2008<br>US\$'000 | 2007<br>US\$'000 | 2008<br>US\$'000 | 2007<br>US\$'000 |
| Trade payables             | 211,816          | 406,726          | 211,816          | 406,726          |
| Accrued operating expenses | 7,136            | 5,285            | 7,132            | 5,268            |
| Other payables             | 447              | 1,221            | 447              | 1,221            |
|                            | <u>219,399</u>   | <u>413,232</u>   | <u>219,395</u>   | <u>413,215</u>   |

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

## 12 REVENUE

|                        | Group            |                  |
|------------------------|------------------|------------------|
|                        | 2008<br>US\$'000 | 2007<br>US\$'000 |
| Sale of aviation oil   | 5,365,045        | 2,957,971        |
| Trading of paper swaps | 5,199            | –                |
|                        | <u>5,370,244</u> | <u>2,957,971</u> |

# Notes to the Financial Statements

Year ended 31 December 2008

## 13 PROFIT FOR THE YEAR

The following income/(expense) items have been included in arriving at profit for the year:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2008<br>US\$'000 | 2007<br>US\$'000 |
| <b>Other income:</b>   |                  |                  |
| Gain on disposal of non-current investment held for sale                                     | –                | 160,165          |
| Gain on disposal of equity interest in a subsidiary  | –                | 634              |
| Gain on disposal of property, plant and equipment  | 53               | –                |
| Interest income  | 5,073            | 8,729            |
| Foreign exchange gain  | 635              | 3,547            |
| Others   | 77               | 47               |
|  | 5,838            | 173,122          |
| Non-audit fees paid to auditors of the Company   | (133)            | (11)             |
| Staff costs  | (3,566)          | (4,554)          |
| Contributions to defined contribution plans included in staff costs                          | (138)            | (267)            |
| Allowance for impairment on receivables from immediate and ultimate holding company reversed | –                | 1,267            |
| Bad debts written off  | –                | (14)             |
| Impairment losses on property, plant and equipment reversed/(made)                           | 1,992            | (1,593)          |

## 14 FINANCE COSTS

|  | Group            |                  |
|--|------------------|------------------|
|  | 2008<br>US\$'000 | 2007<br>US\$'000 |
| Interest expenses:                                 |                  |                  |
| – scheme creditors                                 | –                | 2,459            |
| – financial liabilities measured at amortised cost | –                | 3,686            |
| Bank charges                                       | 542              | 513              |
|  | 542              | 6,658            |

## 15 INCOME TAX EXPENSE

|                                     | Group            |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2008<br>US\$'000 | 2007<br>US\$'000 |
| <b>Current tax expense</b>          |                  |                  |
| Current year                        | –                | 26,196           |
| (Over)/Underprovided in prior years | (4,894)          | 1,723            |
| Income tax (credit)/expense         | (4,894)          | 27,919           |

# Notes to the Financial Statements

Year ended 31 December 2008

## 15 INCOME TAX EXPENSE (cont'd)

### Reconciliation of effective tax rate

|  | Group            |                  |
|--|------------------|------------------|
|  | 2008<br>US\$'000 | 2007<br>US\$'000 |
| Profit before income tax                               | 33,451           | 195,661          |
| Tax calculated using Singapore tax rate of 18%         | 6,021            | 35,219           |
| Tax effects of revenue taxed at concessionary tax rate | (1,403)          | –                |
| Effect of different tax rates in other countries       | –                | 89               |
| Effects of results of associates presented net of tax  | (1,893)          | (4,586)          |
| Other income not subject to tax                        | (311)            | (4,198)          |
| Expenses not deductible for tax purposes               | 95               | 265              |
| Deferred tax assets not recognised                     | –                | 287              |
| (Over)/Underprovided in prior years                    | (4,894)          | 1,723            |
| Utilisation of previously unrecognised tax losses      | (2,509)          | (880)            |
|  | (4,894)          | 27,919           |

The following temporary differences have not been recognised:

|                             | Group and Company |                  |
|-----------------------------|-------------------|------------------|
|                             | 2008<br>US\$'000  | 2007<br>US\$'000 |
| Other temporary differences | 244               | (533)            |
| Tax losses                  | 207,968           | 26,092           |
|                             | 208,212           | 25,559           |

During the current financial year, the Comptroller of Income Tax (CIT) agreed to allow for tax deduction on the losses arising from speculative options trading incurred by the Company in 2004 of approximately US\$516 million; and to regard the waiver of debts by the scheme creditors under the Scheme of Arrangement undertaken by the Company in 2006 as non-taxable. Consequently, during the financial year, the Group reversed tax provision of US\$4.9 million made in respect of prior years of assessment.

Following the decision by CIT, the unutilised trading losses incurred by the Company in 2004 are included in the temporary differences which have not been recognised during the current financial year.

The Company was granted concessionary rate of tax under the Global Trader Programme (GTP) for a period of 5 years from 1 January 2008 to 31 December 2012. Under the GTP, income derived from qualifying trading transactions of approved products by the Company is taxed at the concessionary rate of 10% instead of the normal statutory rate of 18%. This incentive is granted subject to the achievement of certain business volume and other terms and conditions.

The tax losses are subject to agreement with the tax authorities and compliance with tax regulations in the respective countries in which the Group entities operate. The tax losses 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.

As at 31 December 2008, deferred tax liabilities for unremitted earnings of the Group's associates have not been recognised, as the Group is not expected to incur additional tax obligations should these earnings be remitted into Singapore, due either to the availability of double taxation relief or tax exemption granted for such foreign-sourced dividend income in accordance with the current tax legislation in Singapore.

# Notes to the Financial Statements

Year ended 31 December 2008

## 16 EARNINGS PER SHARE

|   | <b>2008</b><br><b>US\$'000</b>                                    | <b>2007</b><br><b>US\$'000</b>                                    |
|---|---|---|
| Basic and diluted earnings per share is based on:                 |   |   |
| Net profit attributable to ordinary shareholders                  | 38,345  | 168,334   |
|   | <b>2008</b><br><b>Number</b><br><b>of shares</b><br><b>('000)</b> | <b>2007</b><br><b>Number</b><br><b>of shares</b><br><b>('000)</b> |
| Issued ordinary shares at beginning of the year                   | 722,821   | 722,821   |
| Weighted average number of ordinary shares at the end of the year | 722,821   | 722,821   |

As there were no dilutive potential ordinary shares during the year, basic and diluted earnings per share are the same. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

## 17 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format – business segments – is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue and income tax assets and liabilities.

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

### **Business segments**

The Group comprises predominantly one business segment which is the trading of clean petroleum products such as jet fuel, gasoil, naphtha and petrochemicals.

### **Geographical segments**

The People's Republic of China is a major market for trading in aviation oil and petroleum products. In addition, the Group operates in other regions such as Singapore.

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

# Notes to the Financial Statements

Year ended 31 December 2008

## 17 SEGMENT REPORTING (cont'd)

### Group

#### Business segments

|  | Clean petroleum products |                  | Others           |                  | Total operations |                  |
|--|--------------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2008<br>US\$'000         | 2007<br>US\$'000 | 2008<br>US\$'000 | 2007<br>US\$'000 | 2008<br>US\$'000 | 2007<br>US\$'000 |
| Revenue from external customers                                    | 5,370,244                | 2,957,971        | –                | –                | 5,370,244        | 2,957,971        |
| Segment results  | 17,646                   | 3,772            | (7)              | –                | 17,639           | 3,722            |
| Other income   |                          |                  |                  |                  | 5,838            | 173,122          |
| Results from operating activities                                  |                          |                  |                  |                  | 23,477           | 176,844          |
| Finance costs  |                          |                  |                  |                  | (542)            | (6,658)          |
| Share of profits of associates, net of tax                         | 10,516                   | 25,475           | –                | –                | 10,516           | 25,475           |
| Income tax credit/ (expense)                                       |                          |                  |                  |                  | 4,894            | (27,919)         |
| Profit for the year  |                          |                  |                  |                  | 38,345           | 167,742          |
| <b>Assets and liabilities</b>                                      |                          |                  |                  |                  |                  |                  |
| Segment assets   | 413,073                  | 590,054          | 21               | 955              | 413,094          | 591,009          |
| Investments in associates  | 82,005                   | 97,108           | –                | –                | 82,005           | 97,108           |
| Total assets   |                          |                  |                  |                  | 495,099          | 688,117          |
| Segment liabilities  | 219,395                  | 413,215          | 4                | 17               | 219,399          | 413,232          |
| Unallocated liabilities  |                          |                  |                  |                  | –                | 6,303            |
| Total liabilities  |                          |                  |                  |                  | 219,399          | 419,535          |
| <b>Other segment information</b>                                   |                          |                  |                  |                  |                  |                  |
| Capital expenditure  | 91                       | 629              | –                | –                | 91               | 629              |
| Depreciation of property, plant and equipment                      | 556                      | 403              | –                | –                | 556              | 403              |
| Amortisation of intangible assets                                  | 106                      | 43               | –                | –                | 106              | 43               |
| Impairment losses on property, plant and equipment (reversed)/made | (1,992)                  | 1,593            | –                | –                | (1,992)          | 1,593            |



# Notes to the Financial Statements

Year ended 31 December 2008

## 17 SEGMENT REPORTING (cont'd)

### Group (cont'd)

#### Geographical segments

|                                    | People's Republic<br>of China |           | Other regions |          | Total     |           |
|------------------------------------|-------------------------------|-----------|---------------|----------|-----------|-----------|
|                                    | 2008                          | 2007      | 2008          | 2007     | 2008      | 2007      |
|                                    | US\$'000                      | US\$'000  | US\$'000      | US\$'000 | US\$'000  | US\$'000  |
| Revenue from external<br>customers | 5,333,179                     | 2,957,971 | 37,065        | –        | 5,370,244 | 2,957,971 |
| Segment assets                     | –                             | –         | 413,094       | 591,009  | 413,094   | 591,009   |
| Capital expenditure                | –                             | 94        | 91            | 535      | 91        | 629       |

## 18 FINANCIAL RISK MANAGEMENT

### Overview

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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.

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 receivables due from major customers amounting to US\$130,001,000 (2007: US\$262,800,000) which accounted for 85% (2007: 100%) of the Group's total trade receivables and receivables of US\$49,135,000 (2007: US\$18,252,000) due from related corporations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

In respect of the Group's associate, there was an amount due from a major customer amounting to US\$367,564,000 (2007: US\$253,981,000), aged within a year, which accounted for 68% (2007: 51%) of the associate's total trade receivables. Except for this receivable, there was no significant concentration of credit risk.

# Notes to the Financial Statements

Year ended 31 December 2008

## 18 FINANCIAL RISK MANAGEMENT (cont'd)

### **Liquidity risk**

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.

### **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.

### **Interest rate risk**

As at 31 December 2008, the Group and the Company does not have any interest-bearing liabilities.

In the previous financial year, the Group's variable-rate debt obligations are exposed to a risk of change in cash flows due to changes in interest rates. The Group does not hedge its interest rate exposure, but monitors the exposure on an on-going basis.

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

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

### **Foreign currency risk**

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

The Group monitors its foreign currency exposures on an on-going basis and ensures that the net exposure is kept to an acceptable level.

# Notes to the Financial Statements

Year ended 31 December 2008

## 18 FINANCIAL RISK MANAGEMENT (cont'd)

### Foreign currency risk (cont'd)

The Group's and Company's exposures to foreign currency are as follows:

|                             | ← 31 December 2008 → |          |          |          |           | ← 31 December 2007 → |          |          |          |           |
|-----------------------------|----------------------|----------|----------|----------|-----------|----------------------|----------|----------|----------|-----------|
|                             | Singapore            |          |          |          |           | Singapore            |          |          |          |           |
|                             | US dollar            | dollar   | Renminbi | Euro     | Total     | US dollar            | dollar   | Renminbi | Euro     | Total     |
|                             | US\$'000             | US\$'000 | US\$'000 | US\$'000 | US\$'000  | US\$'000             | US\$'000 | US\$'000 | US\$'000 | US\$'000  |
| <b>Group</b>                |                      |          |          |          |           |                      |          |          |          |           |
| Trade and other receivables | 218,652              | 271      | 32,599   | –        | 251,522   | 281,598              | 520      | 1,342    | –        | 283,460   |
| Cash and cash equivalents   | 119,231              | 33,466   | –        | 405      | 153,102   | 295,883              | 4,176    | –        | 413      | 300,472   |
| Trade and other payables    | (214,550)            | (4,674)  | (175)    | –        | (219,399) | (407,234)            | (5,904)  | (94)     | –        | (413,232) |
| Current tax payable         | –                    | –        | –        | –        | –         | –                    | (6,303)  | –        | –        | (6,303)   |
|                             | 123,333              | 29,063   | 32,424   | 405      | 185,225   | 170,247              | (7,511)  | 1,248    | 413      | 164,397   |
| <b>Company</b>              |                      |          |          |          |           |                      |          |          |          |           |
| Trade and other receivables | 218,652              | 271      | 32,599   | –        | 251,522   | 281,598              | 520      | 1,342    | –        | 283,460   |
| Cash and cash equivalents   | 119,231              | 33,445   | –        | 405      | 153,081   | 294,934              | 4,170    | –        | 413      | 299,517   |
| Trade and other payables    | (214,550)            | (4,670)  | (175)    | –        | (219,395) | (407,234)            | (5,887)  | (94)     | –        | (413,215) |
| Current tax payable         | –                    | –        | –        | –        | –         | –                    | (4,966)  | –        | –        | (4,966)   |
|                             | 123,333              | 29,046   | 32,424   | 405      | 185,208   | 169,298              | (6,163)  | 1,248    | 413      | 164,796   |

### Sensitivity analysis

A 10% strengthening of the US dollar against the following currencies at the reporting date would increase/(decrease) amounts charged or credited to equity or the income statement as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

|                         | Group              |                                 | Company            |                                 |
|-------------------------|--------------------|---------------------------------|--------------------|---------------------------------|
|                         | Equity<br>US\$'000 | Income<br>statement<br>US\$'000 | Equity<br>US\$'000 | Income<br>statement<br>US\$'000 |
| <b>31 December 2008</b> |                    |                                 |                    |                                 |
| Singapore dollar        | –                  | (2,906)                         | –                  | (2,905)                         |
| Renminbi                | –                  | (3,242)                         | –                  | (3,242)                         |
| Euro                    | –                  | (41)                            | –                  | (41)                            |

# Notes to the Financial Statements

Year ended 31 December 2008

## 18 FINANCIAL RISK MANAGEMENT (cont'd)

### Foreign currency risk (cont'd)

|                         | Group    |           | Company  |           |
|-------------------------|----------|-----------|----------|-----------|
|                         | Equity   | Income    | Equity   | Income    |
|                         | US\$'000 | statement | US\$'000 | statement |
|                         |          | US\$'000  |          | US\$'000  |
| <b>31 December 2007</b> |          |           |          |           |
| Singapore dollar        | –        | 751       | –        | 616       |
| Renminbi                | –        | (125)     | –        | (125)     |
| Euro                    | –        | (41)      | –        | (41)      |

A 10% weakening of the US dollar against the above currencies 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.

### Commodity price risk

The Group's policy is to manage its costs of purchase and sales of aviation oil using paper swaps. The Group enters into 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 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.

During the current financial year, the Group entered into various paper swaps to hedge a forecast sale of aviation oil. As the hedge at inception was effective, hedge accounting was applied. Subsequently, the sale was cancelled at the request of the customer. Following the cancellation of the transaction, the Company discontinued hedge accounting of these paper swaps prospectively and the cumulative gain of US\$5,171,000 that was recognised in hedging reserve previously, was immediately recognised in the income statement.

As at 31 December 2008, there were outstanding paper swaps aggregating 300,000 barrels which management has assessed then as ineffective hedges. The net fair value of these outstanding paper swaps is US\$25,000 (2007: nil), comprising assets of US\$58,000 (2007: nil) and liabilities of US\$33,000 (2007: nil). These amounts are recognised as fair value derivatives in trade and other receivables and payables respectively.

### Sensitivity analysis

A 10% increase in the oil forward prices at the reporting date would increase amounts credited to the income statement by US\$34,000 (2007: nil). This analysis assumes that all other variables remain constant.

A 10% decrease in the oil forward prices would have an equal but opposite effect to the income statement, on the basis that all other variables remain constant.

### 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 swaps is based on broker quotes.

#### Other financial assets and liabilities

The notional 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.

# Notes to the Financial Statements

Year ended 31 December 2008

## 19 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 although 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 RMB 42 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). The accumulated claim indicated by the customer amounted to RMB742 million (US\$101.7 million) as at the end of the previous financial year. In the current financial year, SPIA did not receive further claim for overcharged custom duties and VAT from this customer.

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

## 20 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company 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 or the Company 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        |                        |
|--------------------------------------|--------------|------------------------|
|                                      | 2008         | 2007                   |
|                                      | US\$'000     | (Restated)<br>US\$'000 |
| Directors' fees                      | 326          | 325                    |
| Directors' remuneration              | 729          | 814                    |
| Key executive officers' remuneration | 938          | 1,136                  |
|                                      | <u>1,993</u> | <u>2,275</u>           |



# Notes to the Financial Statements

Year ended 31 December 2008

## 20 RELATED PARTIES (cont'd)

### *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            |                  |
|---|------------------|------------------|
|   | 2008<br>US\$'000 | 2007<br>US\$'000 |
| <b>Related corporation of a corporate shareholder</b> |                  |                  |
| Sale of jet fuel                                      | 50,395           | –                |
| Purchase of jet fuel                                  | 35,132           | 36,710           |
| <b>Related corporations</b>                           |                  |                  |
| Sale of jet fuel                                      | 2,703,673        | 1,455,198        |
| <b>Associate</b>                                      |                  |                  |
| Sale of jet fuel                                      | 2,581,039        | 1,498,045        |
| <b>A firm in which a former director is a member</b>  |                  |                  |
| Professional fees paid                                | 156              | 235              |

## 21 SUBSEQUENT EVENTS

Subsequent to 31 December 2008, the Group completed its acquisition of 49% equity interest in China National Fuel TSN-PEK Pipeline Transportation Corporation Ltd (TSN-PEKCL). Following the completion of the acquisition, TSN-PEKCL becomes an associate of the Group.

## 22 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.

### *Key source of estimation uncertainty*

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

### *Impairment loss on trade receivables*

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

### *Income taxes*

Significant judgement is required in determining the availability of tax losses for offset against taxable income, capital allowances, taxability of certain income and deductibility of certain expenses during the estimation of the provision for income taxes.

# Notes to the Financial Statements

Year ended 31 December 2008

## 22 ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES (cont'd)

### *Fair value of derivative financial instruments*

The fair value of derivative financial instruments is based on broker quotes. The use of a different quote may impact the Group's estimate of the fair value of its derivative financial instruments.

## 23 COMPARATIVE INFORMATION

The following comparative in the financial statements has been restated to enhance comparability and to be consistent with current year presentation:

|                                      | 2007<br>(As<br>restated)<br>US\$'000 | 2007<br>(As<br>previously<br>reported)<br>US\$'000 |
|--------------------------------------|--------------------------------------|--|
| Key executive officers' remuneration | 1,136                                | 272  |

## 24 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 1 (revised 2008) *Presentation of Financial Statements*
- FRS 23 (revised 2007) *Borrowing Costs*
- Amendments to FRS 32 and FRS 1 *Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- FRS 108 *Operating Segments*
- Amendments to FRS 101 and FRS 27 *Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 102 *Share-based Payment – Vesting Conditions and Cancellations*
- Various FRSs *Improvements to FRSs 2008*
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*

FRS 1 (revised 2008) will become effective for the Group's financial statements for the year ending 31 December 2009. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. FRS 1 (revised 2008) does not have any impact on the Group's financial position or results.

# Notes to the Financial Statements

Year ended 31 December 2008

## 24 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (cont'd)

The amendments to FRS 101 and FRS 27 on the cost of an investment in a subsidiary, jointly controlled entity or associate will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments remove the definition of the "cost method" currently set out in FRS 27, and instead require an entity to recognise all dividends from a subsidiary, jointly controlled entity or associate as income in its separate financial statements when its right to receive the dividend is established. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

FRS 108 will become effective for the Group's financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group is currently reviewing the presentation of segments for disclosure under FRS 108.

Improvements to FRSs 2008 will become effective for the Group's financial statements for the year ending 31 December 2009, except for the amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* which will become effective for the year ending 31 December 2010. Improvements to FRSs 2008 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

Other than the above new/revised FRS, the initial application of these standards (and their consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

## 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 |                  |
|---|--|------------------|---|------------------|
|   | 2008<br>US\$'000   | 2007<br>US\$'000 | 2008<br>US\$'000  | 2007<br>US\$'000 |
| Sales revenue from related corporations       | –  | –                | 2,754,068   | 1,455,198        |
| Jet fuel procurement from related corporation | 35,132   | 36,710           | –   | –                |
| Special fees paid to Director                 | 207  | 553              | –   | –                |

# Shareholding Information

As at 24 March 2009

Number of equity securities : 722,820,537  
 Class of equity securities : Ordinary shares  
 Voting rights : One vote per share

## DISTRIBUTION OF SHAREHOLDINGS

| Size Of Shareholdings | No. of Shareholders | %             | No. of Shares      | %             |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1 – 999               | 2,916               | 16.21         | 1,455,488          | 0.20          |
| 1,000 – 10,000        | 11,775              | 65.47         | 50,657,383         | 7.01          |
| 10,001 – 1,000,000    | 3,282               | 18.25         | 115,028,166        | 15.91         |
| 1,000,001 and above   | 13                  | 0.07          | 555,679,500        | 76.88         |
| <b>Total</b>          | <b>17,986</b>       | <b>100.00</b> | <b>722,820,537</b> | <b>100.00</b> |

## TWENTY LARGEST SHAREHOLDERS

| No. | Name                                  | No. of Shares      | %            |
|-----|---------------------------------------|--------------------|--------------|
| 1   | DBS Vickers Securites (S) Pte Ltd     | 370,204,531        | 51.22        |
| 2   | BP Investments Asia Limited           | 144,564,119        | 20.00        |
| 3   | DBS Nominees Pte Ltd                  | 8,064,071          | 1.12         |
| 4   | United Overseas Bank Nominees Pte Ltd | 5,811,990          | 0.80         |
| 5   | Citibank Nominees Singapore Pte Ltd   | 5,161,206          | 0.71         |
| 6   | OCBC Securities Private Ltd           | 5,094,078          | 0.70         |
| 7   | HSBC (Singapore) Nominees Pte Ltd     | 3,950,808          | 0.55         |
| 8   | UOB Kay Hian Pte Ltd                  | 3,401,958          | 0.47         |
| 9   | Phillip Securities Pte Ltd            | 2,290,628          | 0.32         |
| 10  | Lee Fook Choy                         | 1,857,000          | 0.26         |
| 11  | Hong Leong Finance Nominees Pte Ltd   | 1,808,000          | 0.25         |
| 12  | OCBC Nominees Singapore Pte Ltd       | 1,789,798          | 0.25         |
| 13  | Raffles Nominees Pte Ltd              | 1,681,313          | 0.23         |
| 14  | Ler Hock Seng                         | 1,000,000          | 0.14         |
| 15  | CIMB-GK Securities Pte. Ltd.          | 924,886            | 0.13         |
| 16  | Citibank Consumer Nominees Pte Ltd    | 827,702            | 0.11         |
| 17  | Kang Hian Soon                        | 816,000            | 0.11         |
| 18  | Bank Of China Nominees Pte Ltd        | 768,116            | 0.11         |
| 19  | Kim Eng Securities Pte. Ltd.          | 653,583            | 0.09         |
| 20  | Chan Chee Tack                        | 600,000            | 0.08         |
|     | <b>Total</b>                          | <b>561,269,787</b> | <b>77.65</b> |

## SUBSTANTIAL ORDINARY SHAREHOLDERS

(As shown in the Register of Substantial Shareholders as at 24 March 2009)

| No. | Name   | No. of Shares   |                 | %     |
|-----|--|-----------------|-----------------|-------|
|     |  | Direct Interest | Deemed Interest |       |
| 1.  | China National Aviation Fuel Group Corporation | –               | 367,777,427*    | 50.88 |
| 2.  | BP Investments Asia Limited                    | 144,564,119     | –               | 20.00 |

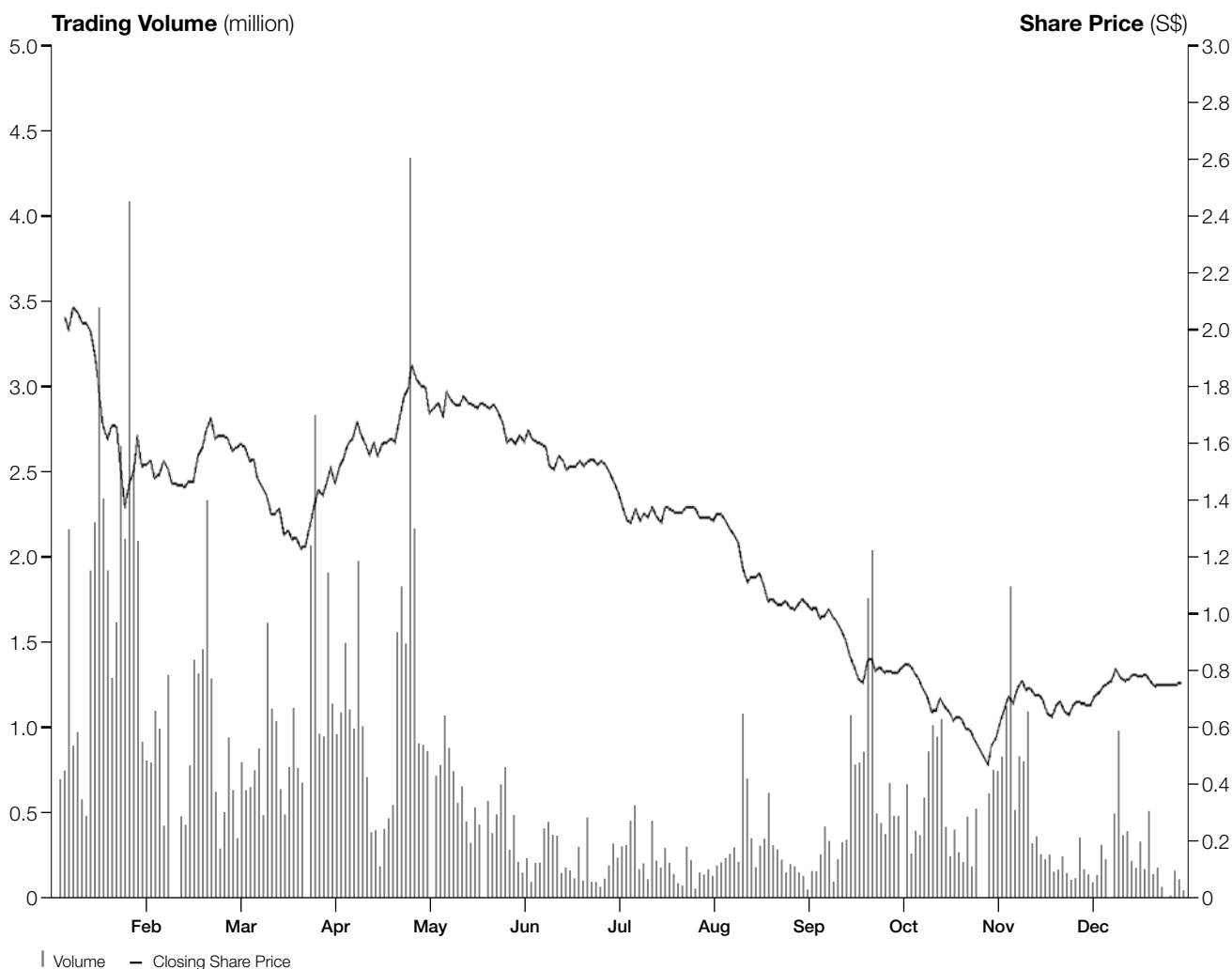
\* China National Aviation Fuel Group Corporation is deemed to have an interest in 367,777,427 shares of CAO held by DBS Vickers Securities (S) Pte Ltd.

As at 24 March 2009, approximately 29.12% of CAO's issued ordinary shares are held by the public and, therefore, Rule 723 of the Listing Manual is complied with.



# CAO Share Price and Trading Volume Information

## 2008 SHARE PRICE MOVEMENT AND TRADING VOLUME



|  | 2006* | 2007    | 2008         |
|--|-------|---------|--------------|
| <b>Share Price (S\$)</b>                     |       |         |              |
| As At Last Trading Day of the Year           | 1.00  | 2.08    | <b>0.77</b>  |
| High   | 1.85  | 3.28    | <b>2.15</b>  |
| Low  | 0.92  | 0.98    | <b>0.48</b>  |
| Weighted Average                             | 1.32  | 2.27    | <b>1.41</b>  |
| <b>Total Trading Volume (million shares)</b> |       |         |              |
|  | 553.2 | 1,175.4 | <b>169.0</b> |

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

Source: Thomson Reuters/Bloomberg

# Corporate Calendar

| <b>2009</b>  |                     |
|--|---------------------|
| Extraordinary General Meeting  | 9 January           |
| Announcement of 2008 full-year results                                 | 25 February         |
| Despatch of Annual Reports to shareholders                             | On or about 9 April |
| 15 <sup>th</sup> Annual General Meeting/ Extraordinary General Meeting | 29 April            |
| Proposed First and Final Dividend for FY2008                           |                     |
| Books closure dates  | 11 May to 12 May    |
| Payment date   | 20 May              |
| Announcement of 1Q 2009 results  | May                 |
| Announcement of 2Q 2009 results  | August              |
| Announcement of 3Q 2009 results  | November            |
| <b>2010</b>  |                     |
| Announcement of 2009 full-year results                                 | February            |

# Notice of Annual General Meeting

China Aviation Oil (Singapore) Corporation Ltd

Company Registration. No. 199303293Z

Incorporated in Singapore with limited liability

NOTICE IS HEREBY GIVEN that the 15<sup>th</sup> Annual General Meeting of the Company will be held at DBS Auditorium, 6 Shenton Way, Level 3, DBS Building Tower One, Singapore 068809 on Wednesday, 29 April 2009 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 2008 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 2008.

**(Resolution 2)**

3. To approve Directors' Fees of S\$491,131 for the year ended 31 December 2008. (2007: S\$470,731).

**(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:

Mr Liu Fuchun

**(Resolution 4)**

Mr Michael Bennetts

**(Resolution 5)**

5. To re-elect the following Directors, each of whom will retire in accordance with Article 97 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:

Dr Wang Kai Yuen

**(Resolution 6)**

Mr Timothy Bullock

**(Resolution 7)**

Mr Ang Swee Tian

**(Resolution 8)**

6. To re-appoint Messrs KPMG LLP as the Company's auditors and to authorise the Directors to fix their remuneration.

**(Resolution 9)**

# Notice of Annual General Meeting

China Aviation Oil (Singapore) Corporation Ltd

Company Registration No. 199303293Z

Incorporated in Singapore with limited liability

## AS SPECIAL BUSINESS

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

7. That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance to any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share 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 provision 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 10)**

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

# Notice of Annual General Meeting

China Aviation Oil (Singapore) Corporation Ltd

Company Registration. No. 199303293Z

Incorporated in Singapore with limited liability

BY ORDER OF THE BOARD

Doreen Nah  
Company Secretary

Singapore  
9 April 2009

## 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 27 April 2009.

## Explanatory Notes:

- Resolution 4** Mr Liu Fuchun is considered an Independent Non-Executive Director. He is the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.
- Resolution 5** Mr Michael Bennetts is considered a Non-Executive Non-Independent Director. He is a member of the Remuneration Committee and the Nominating Committee.
- Resolution 6** Dr Wang Kai Yuen is considered an Independent Non-Executive Director. He is the Chairman of the Board and the Remuneration Committee. He is also a member of the Audit Committee and the Nominating Committee. He was appointed as a Director on 28 April 2008.
- Resolution 7** Mr Timothy Bullock is considered a Non-Executive Non-Independent Director. He is the Chairman of the Risk Management Committee and a member of the Audit Committee. He was appointed as a Director on 1 May 2008.
- Resolution 8** Mr Ang Swee Tian is considered an Independent Non-Executive Director. He is the Chairman of the Audit Committee and a member of the Nominating Committee, the Risk Management Committee and the Remuneration Committee. He was appointed as a Director on 14 November 2008.
- Resolution 10** The ordinary resolution proposed in item 7 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting, to issue shares in the Company. The aggregate number of shares which the Directors may issue under this Resolution shall not exceed fifty per cent (50%) of the issued share 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 share capital of the Company. The percentage of issued share capital is based on the Company's issued share capital 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.



# Notice of Annual General Meeting

China Aviation Oil (Singapore) Corporation Ltd

Company Registration. No. 199303293Z

Incorporated in Singapore with limited liability

## **NOTICE OF BOOKS 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 from 11 May 2009 to 12 May 2009, both dates inclusive, for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 13 May 2009. 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 3 Church Street #08-01, Samsung Hub, Singapore 049483 before 5.00 p.m. on 8 May 2009, 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 2009.

# Proxy Form

China Aviation Oil (Singapore) Corporation Ltd  
 Company Registration No. 199303293Z  
 (Incorporated In the Republic of Singapore with limited liability)

**IMPORTANT:**

- For investors who have used their CPF monies to buy China Aviation Oil (Singapore) Corporation Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of China Aviation Oil (Singapore) Corporation Ltd (the "Company"), hereby appoint:

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

and/or (delete as appropriate)

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll at the 15th Annual General Meeting of the Company, to be held at DBS Auditorium, 6 Shenton Way, Level 3, DBS Building Tower One, Singapore 068809 on Wednesday, 29 April 2009 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 direction as voting is 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 Mr Liu Fuchun as a Director   |     |         |
| 5                       | Re-election of Mr Michael Bennetts as a Director   |     |         |
| 6                       | Re-election of Dr Wang Kai Yuen as a Director  |     |         |
| 7                       | Re-election of Mr Timothy Bullock as a Director  |     |         |
| 8                       | Re-election of Mr Ang Swee Tian as Director  |     |         |
| 9                       | Auditors and their remuneration  |     |         |
| <b>Special Business</b> |  |     |         |
| 10                      | 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 \_\_\_\_\_ 2009

\_\_\_\_\_  
 Signature of Shareholder(s)  
 or, Common Seal of Corporate Shareholder

| Total number of Shares in: | No. of Shares |
|----------------------------|---------------|
| (a) CDP Register           |               |
| (b) Register of Members    |               |

**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.
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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|                                   |
|-----------------------------------|
| Affix<br>Postage<br>Stamp<br>Here |
|-----------------------------------|

**Company Secretary**  
**China Aviation Oil (Singapore) Corporation Ltd**  
**8 Temasek Boulevard**  
**#31-02 Suntec Tower Three**  
**Singapore 038988**

*Fold this flap for sealing*

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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

8 Temasek Boulevard  
#31-02 Suntec Tower Three  
Singapore 038988

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Website 网址: [www.caosco.com](http://www.caosco.com)