China Aviation Oil (Singapore) Corporation Ltd
中国航油（新加坡）股份有限公司

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

Going Places

ANNUAL REPORT 2013
2013年年度报告

志在四方

Fuel for Future 为明天加油

Mention the dandelion, and two distinct images come to mind. Known for its elegant dispersal in the wind and cheery splendour in full bloom, the dandelion is also a resilient plant, always thriving in the harshest conditions. It is this spirit of determination and perseverance, as well as a flexibility to ride on the winds of change, that we admire in the dandelion.

Vision

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

愿景

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

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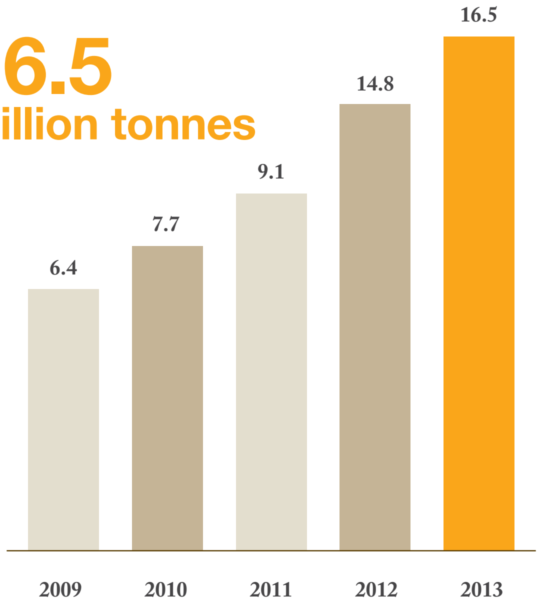
Financial Highlights 业绩亮点

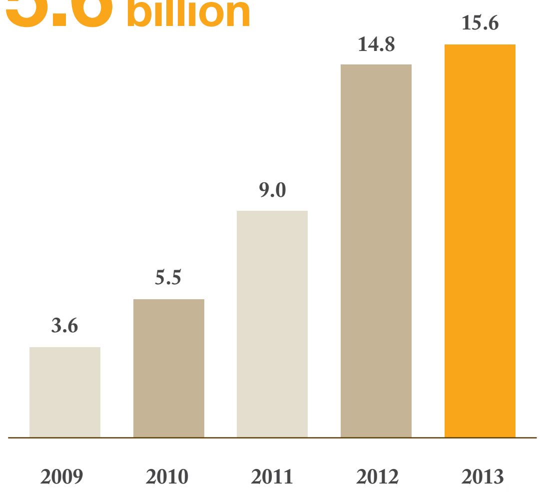
TOTAL VOLUME (MILLION TONNES)
总业务量

16.5
million tonnes



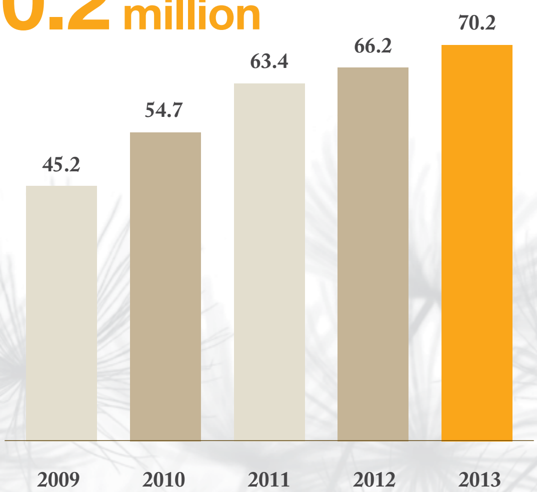
REVENUE (US$ BILLION)
营业额

US$
15.6 billion



NET PROFIT (US$ MILLION)
净利润

US$
70.2 million



RETURN ON EQUITY
股本回报率

14.3%

RETURN ON ASSETS
资产回报率

4.5%

DEBT-EQUITY RATIO
股本带息负债率

5.5%

CAO At A Glance

China Aviation Oil (Singapore) Corporation Ltd ("CAO") was incorporated in Singapore on 26 May 1993, and was listed on the mainboard of the Singapore Exchange Securities Trading Limited on 6 December 2001, with subsidiaries in Singapore, Hong Kong, America and Europe.

China National Aviation Fuel Group Corporation ("CNAF"), the single largest shareholder of CAO, holds 50.88% of the total issued shares of CAO (including treasury shares). 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 over 180 PRC airports.

BP Investments Asia Limited, a subsidiary of oil major, BP Plc, is a strategic investor of CAO, and holds 20% of the total issued shares of CAO (including treasury shares).

JET FUEL SUPPLY & TRADING

CAO is the largest physical jet fuel trader in Asia Pacific and the sole importer of jet fuel into the PRC. We supply jet fuel to the key international airports in the PRC, including Beijing Capital International Airport, Shanghai Pudong International Airport and Guangzhou Baiyun International Airport.

The CAO Group also markets and supplies jet fuel to airline companies at 30 international airports outside the PRC, covering Europe, North America, Asia Pacific and Middle East. Although a relatively newcomer in the jet fuel marketing business, the Group is focused on growing and expanding this business into new markets, underpinned by robust strategies which create a strong foundation for future growth.

CAO is committed to be a top-tier integrated transportation fuels provider in the global arena
CAO致力于成为全球一流运输燃料一体化方案提供商

TRADING OF OTHER OIL PRODUCTS

CAO will continue to diversify its revenue streams and expand its scale of business by building up supply and trading businesses in other oil products, which include fuel oil, gas oil and petrochemicals. CAO has extended its market presence as an active trader of these oil products in the Asia Pacific market and will continually work to sustain the growth momentum.

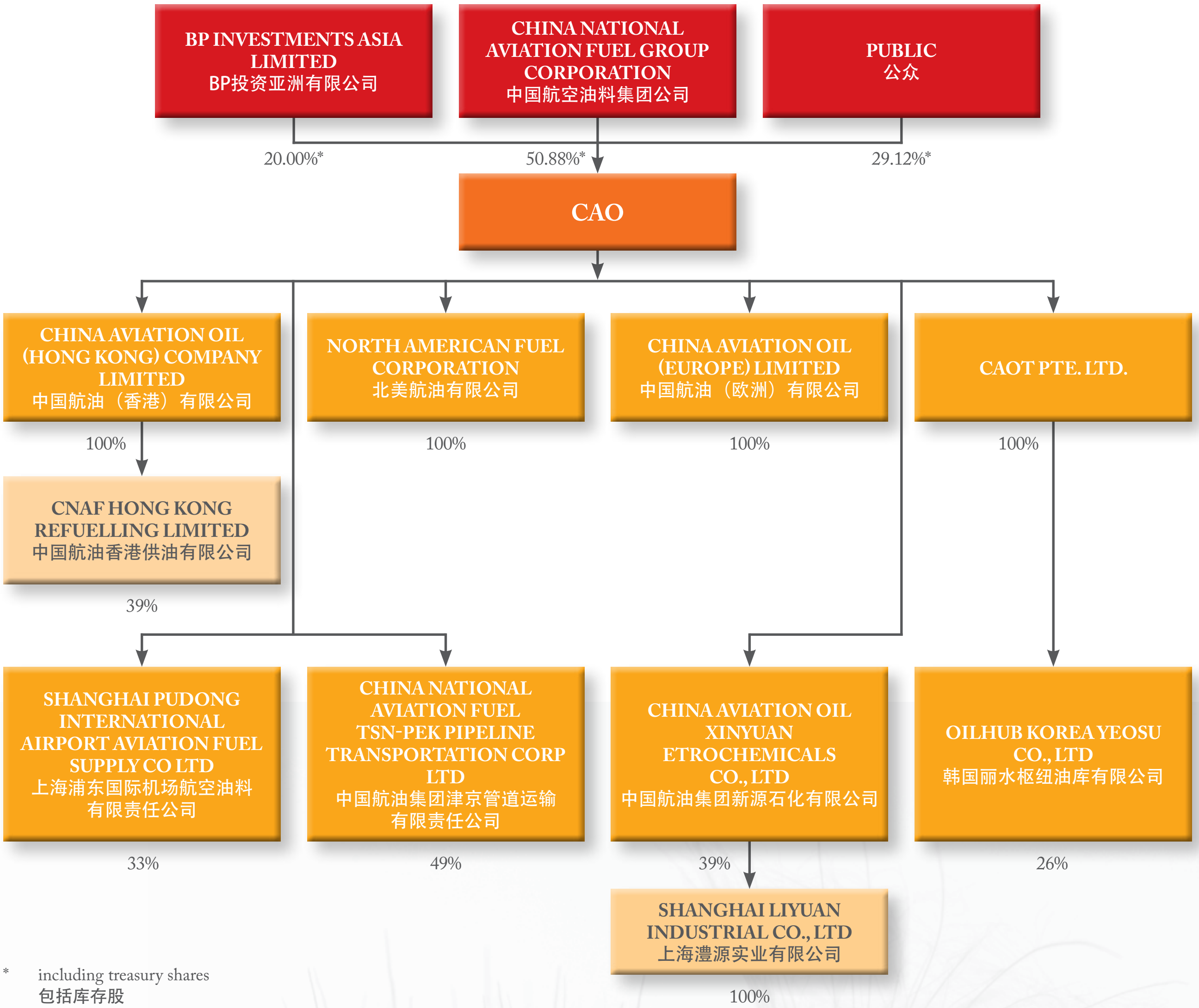
INVESTMENTS IN OIL-RELATED ASSETS

CAO continuously seeks to deliver sustainable compounded growth through investments and acquisitions in oil-related assets that are synergetic to its core businesses to achieve vertical integration of its value chain. CAO Group currently holds equity stakes in:

- **Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA") (33% equity stake)**
  SPIA is the exclusive supplier of jet fuel at Shanghai Pudong International Airport ("Pudong Airport"). SPIA owns and operates all the refuelling facilities at Pudong Airport, including the hydrant system, dispenser fleet, refuelling stations, airport tank farm, a 42-km dedicated jet pipeline connecting Pudong Airport to Waigaoqiao terminal and storage facilities of 200,000 m^3 in capacity.

Into-plane refuelling operations at a PRC airport
在中国机场的航油加注服务

GROUP STRUCTURE (as at 18 March 2014)
公司结构图（截至2014年3月18日）



* including treasury shares
包括库存股

CAO At A Glance

Into-plane refuelling at Shanghai Pudong International Airport
在上海浦东国际机场为飞机加注航油

- **China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL") (49% equity stake)**
  TSN-PEKCL owns a 185-km long pipeline that transports the majority of jet fuel requirements of Beijing Capital International Airport and Tianjin Binhai International Airport.

- **China Aviation Oil Xinyuan Petrochemicals Co., Ltd ("Xinyuan") (39% equity stake)**
  Xinyuan owns and operates a storage tank of 50,000 m^3 capacity in the Guangdong Province of the PRC and trades in jet fuel and other oil products. Xinyuan has established a wholly owned subsidiary, Shanghai Liyuan Industrial Co., Ltd, in the Shanghai Free Trade Zone and whose principal business activities include the supply and trading of oil products.

- **Oilhub Korea Yeosu Co., Ltd ("OKYC") (26% equity stake)**
  OKYC, a Korea joint venture between CAO and several joint venture partners to operate the Northeast Asia Hub Terminal in Yeosu of Korea, has a total storage capacity of 1.3 million m^3 for crude oil and oil products. It commenced operations in April 2013.

- **CNAF Hong Kong Refuelling Limited ("CNAF HKR") (39% equity stake)**
  CNAF HKR is a Hong Kong joint venture led by CAO's subsidiary, China Aviation Oil (Hong Kong) Company Limited with several joint venture partners to provide into-plane refuelling services at Hong Kong International Airport ("HKIA"). The collaboration will further entrench the CAO Group's presence at HKIA. CNAF HKR is expected to be operational by 2015.

Oil cargoes to China
船货运往中国

公司简介

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

CAO最大的股东是中国航空油料集团公司（“CNAF”），CNAF持有CAO全部发行股票（包含库存股）的50.88%，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，为中国超过180家机场提供航空油料的分销、存储和加注服务。

石油巨头BP的子公司BP投资亚洲有限公司是CAO的战略投资者，持有CAO全部发行股票（包含库存股）的20%。

航油供应与贸易

CAO是亚太地区最大的航油实货贸易商和中国独家航油进口商。我们向中国主要的国际机场供应航油，包括北京首都国际机场、上海浦东国际机场和广州白云国际机场等。CAO集团也在新加坡、欧洲、北美、亚太和中东的30个国际机场 (不包括中国) 向航空公司营销并供应航油。集团的航空市场营销业务刚刚起步，目前专注发展和拓展新市场，其稳健的战略为未来的发展打下了强有力的基础。

其他油品贸易业务

公司会继续通过其他油品的供应与贸易业务拓展收入来源，提升业务规模。我们的贸易品种包括燃料油、柴油和石化产品，CAO已成为亚太地区这些油品种类的活跃贸易商，也会努力保持增长势头。

油品相关实业投资

通过投资和收购与核心业务具有协同性的油品相关实业资产，纵向整合公司业务价值链，积极创造可持续增长。CAO集团的现有投资包括：

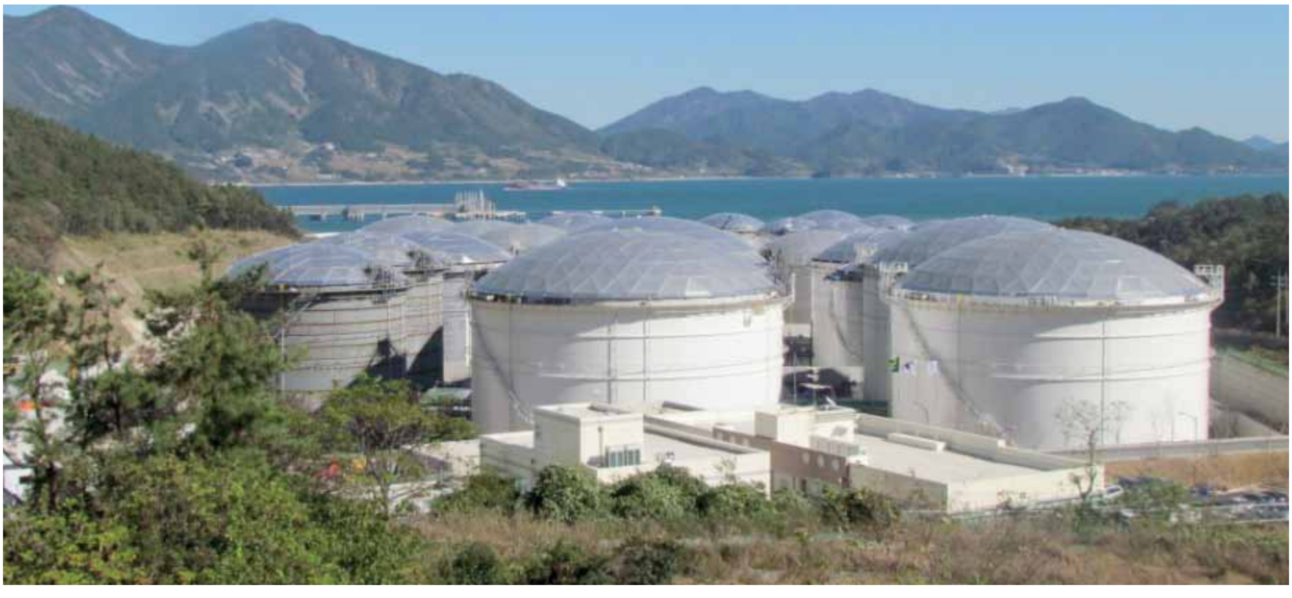
- 上海浦东国际机场航空油料有限责任公司（“浦东航油”)(CAO持股33%)
  浦东航油是上海浦东国际机场（“浦东机场”）的唯一航油供应商，拥有并经营浦东机场全部加油设施，包括全套机坪管网、管线加油车队和罐式加油车队、航空加油站、机场内油库、码头油库，以及连接浦东机场与外高桥码头的42公里专用航油管线。其航油储罐总库容量达20万立方米。

- 中国航油集团津京管道运输有限责任公司（“TSN-PEKCL”)(CAO持股49%)
  TSN-PEKCL拥有一条长达185公里的输油管道，将航油运至北京首都国际机场和天津滨海国际机场。

- 中国航油集团新源石化有限公司（“新源公司”)(CAO持股39%)
  新源公司拥有并经营位于中国广东茂名的5万立方油库，公司从事航油及其他油品的贸易。新源公司在上海自贸区成立了全资子公司－上海澧源实业有限公司，主营业务包括油品供应和贸易。

- 韩国丽水枢纽油库有限公司（“OKYC”)(CAO持股26%)
  OKYC是CAO与数家合资伙伴共同成立的韩国合资公司，运营地点是韩国丽水的东北亚油库枢纽，总库容130万立方，可储存原油及其他油品。2013年4月开始运营。

- 中国航油香港供油有限公司（“CNAF HKR”)(CAOHK持股39%)
  CNAF HKR是由CAO子公司－中国航油（香港）有限公司牵头，与数家合资伙伴共同成立的香港合资公司，在香港国际机场（“HKIA”）提供加注业务。此次合作会进一步增强CAO集团在HKIA的市场地位。CNAF HKR预计会在2015年开始运营。



Storage facilities at OKYC
OKYC储罐

Despite the challenging external environment, we continued to leverage on our strengths and sustained business growth. Led by a strong and capable management team, we will go on to refine our strategies and take flight to overcome any challenges that might lie ahead.

Time to take the lead.

Going Forth.


与时俱进

Chairman's Statement

"The Group's gross profit – an indicator of the profitability of our supply and trading business – stood at US$52.5 million in 2013, an increase of 22.8% as compared to 2012.

This is testament to the resilience of the Group's business model and ability of the trading team to generate profit growth under challenging market conditions."

SUN LI
Chairman

孙立
董事长

Dear Shareholders,

2013 continued to be a challenging year for oil trading companies. Whilst economic conditions in Europe, the United States and other advanced economies have shown subdued signs of improvement in the second half of the year, growth fundamentals have generally weakened in emerging economies. Global demand for oil products remained sluggish, even as supplies have increased due to expanding refining capacities in Asia Pacific and Middle East.

Despite the challenges in the economic and operating landscape, the CAO Group ("the Group") achieved creditable results for the 12 months ended 31 December 2013 ("FY2013"). Group revenue hit another record high of US$15.6 billion. Total supply and trading volume of jet fuel and other oil products also reached a record high of 16.5 million tonnes, as the Group's efforts to diversify into other oil products began to yield results. Net profit attributable to shareholders increased 6.1% to US$70.2 million, which is a record high for the fifth consecutive year.

OUR PERFORMANCE IN 2013

Sustaining Growth Momentum In Jet Fuel Business

Despite the slowdown in China's economic growth, the world's second largest civil aviation industry continued to sustain a double-digit annual growth rate in 2013. China's air passenger throughput hit about 326 million during the period from January to November 2013, an increase of about 11% year-on-year whilst total air transportation turnover volume for the same period reached 61.6 billion tonne-kilometres, an increase of 10.3% year-on-year.

Being the sole importer of jet fuel into China, the jet fuel supply business remained as the key foundation for the Group to conduct jet fuel optimisation and trading activities. Although domestic refineries in China stepped up production capacities in 2013, the Group's jet fuel supply business continued to sustain stable growth, on the back of an overall increase in demand for jet fuel in China.

2013 was a year of rapid growth for the Group's nascent aviation marketing business. The Group is currently the largest supplier of jet fuel to the three largest Chinese airline companies at 30 international airports outside China, including locations in Europe, North America, Asia Pacific and Middle East. Business volumes increased 34.4% in FY2013 as compared to FY2012.

Strengthening Our Earnings Ability

The Group continued to leverage on its competitive strength as the largest purchaser of jet fuel in Asia Pacific to strengthen its capability in jet fuel entrepreneurial trading. Gross profit derived from optimisation and trading activities has significantly surpassed gross profit derived from supply contracts in China.

The Group's efforts in diversifying its earnings streams through the trading of other oil products have yielded positive results. Total trading volume of other oil products increased 42.2% to 6.1 million tonnes in 2013. Profitability of this business segment increased significantly and the Group gross profit achieved a year-on-year growth of 652% in 2013.

The Group's gross profit – an indicator of the profitability of our supply and trading business – stood at US$52.5 million in 2013, an increase of 22.8% as compared to 2012. This is testament to the resilience of the Group's business model and ability of the trading team to generate profit growth under challenging market conditions.

Profit contribution from associated companies remained stable. In 2013, profit contribution from associated companies stood at US$46.5 million.

CORPORATE GOVERNANCE

We regard corporate governance as central to the continued strong performance of our businesses, and maintaining investor confidence which underpin the sustainable long-term growth of our businesses and shareholder value. Over the past year, the commitment and dedication of the Board of Directors in steering the Group's strategic directions had helped the Group sustain robust growth, whilst ensuring effective control of significant risks and due compliance with applicable laws and regulations, as well as maintaining high standards of corporate governance. CAO voluntarily subjects its internal control systems to biennial review by an independent third party consultant.

Chairman's Statement

"The changes in the global oil market necessitate the acceleration of building a global business network for the Group and we will focus on expanding beyond Asia Pacific to capture business opportunities that arise from the changing market dynamics."

CAO was presented the "Corporate Governance Award" (runner-up in the Mid Cap category) at the 14th Securities Investors Association (Singapore) Investors' Choice Awards held in November 2013. CAO was also awarded the "Most Transparent Company" (runner-up in the Oil & Gas category) for the fourth consecutive year.

In the 2013 Governance and Transparency Index published by Singapore's Business Times and the Corporate Governance & Financial Reporting Centre of the National University of Singapore, CAO was ranked 36th out of 664 Singapore-listed companies assessed, which puts the Group in the top 6% of the Singapore-listed companies in terms of ranking.

ENHANCING SHAREHOLDER RETURNS

To better reward our shareholders, the Board of Directors has effected a bonus issue on the basis of 1 bonus share for every 5 existing ordinary shares held. In addition, the Board has recommended that shareholders receive a first and final (one-tier, tax-exempt) dividend of S$0.02 per share. This represents about 19.3% of profit after tax for FY2013 (FY2012: 17.5%).

OUTLOOK

China's rapidly developing civil aviation industry is expected to maintain an average double-digit growth rate up to 2020. By 2020, total turnover of China's civil aviation industry is projected to reach 170 billion tonne-kilometres according to industry sources. This invariably translates into sustainable increase in demand for imported jet fuel in China which will facilitate CAO's business expansion.

On the global macroeconomic front, whilst the US economy has performed better than expected and Europe appears to be easing out of recession, China's economy continues to sustain stable growth. However, uncertainties remain abound. Whilst the United States averted a debt default crisis in October 2013, the fundamental issues remain unresolved. The unpredictability of when the Federal Reserve will continue to wean off its expansive monetary policy is also expected to cause volatility in the global financial markets. The growth prospects of emerging markets remain unclear as they struggle with slower economic growth rates. Oil prices are expected to remain high and subject to volatility, posing challenges to oil trading activities.

On the other hand, dynamics of the international oil market are changing as the United States is expected to become an oil-exporting country due to its rising shale production. Oil product exports from Asia and the Middle East will continue to rise with the emergence of mega-refineries whilst Europe will require more imports as its refineries continue to shut down. Global oil demand growth is expected to be mainly driven by the transport sector. While such changing dynamics will create opportunities for trading, it also means that trading strategies will have to be adjusted and competition is expected to intensify.

Into-plane refuelling operations at a PRC airport
在中国机场的航油加注服务

Chairman's Statement

CAO was awarded "Singapore Corporate Governance" (Mid Cap Category) at SIAS Investors Choice Awards 2013
CAO获颁2013年SIAS投资者选择奖"新加坡 企业治理奖"(中型企业组别第二名)

"2013 was a year of rapid growth for the Group's nascent aviation marketing business. The Group is currently the largest supplier of jet fuel to the three largest Chinese airline companies at 30 international airports outside China, including locations in Europe, North America, Asia Pacific and Middle East. Business volumes increased 34.4% in FY2013 as compared to FY2012."

Against this backdrop, CAO will stay the course in implementing and achieving its 2020 strategy plans. The changes in the global oil market necessitate the acceleration of building a global business network for the Group and we will focus on expanding beyond Asia Pacific to capture business opportunities that arise from the changing market dynamics.

TRIBUTE AND APPRECIATION

On behalf of the Board, I wish to express my heartfelt thanks to Mr Liu Fuchun, who will be retiring from the Board at our 20th Annual General Meeting on 24 April 2014. Mr Liu had served the Board with distinction throughout his 8-year stint as an Independent Director. Mr Liu has made significant contributions to the Board and the Company through his dedication and visionary foresight.

I wish to also thank all shareholders for your unreserved support and confidence in CAO. To the management and staff of CAO, thank you for your hard work and commitment to the success of CAO.

My appreciation also goes to the government agencies in China and Singapore for their guidance. To our stakeholders, thank you for your support of CAO. My fellow Directors, thank you for your guidance, dedication and contributions to CAO.

I am confident that with a clear strategy and competent management team, coupled with the support from shareholders, business partners and other stakeholders, CAO is well-poised to establish a strong presence in the global transportation fuels market and to deliver sustainable growth.

SUN LI
Chairman

董事长致辞

"作为CAO供应和贸易业务盈利能力指标的毛利总额在2013年同比增长22.8%至5250万美元。这证明集团的业务模式和贸易团队即使在不利的市场环境中仍有能力创造利润的增长。"

各位股东，

2013年对油品贸易公司而言依然是充满挑战的一年。欧洲、美国和其他发达国家的经济在下半年稍有改进，新兴经济体的增长动力总体减弱。亚太和中东地区炼厂产能扩大带来供应的增长，但全球油品需求依然低迷。

尽管经济和经营形势受到挑战，CAO集团（"集团"）在截至2013年12月31日的2013财年（"2013财年"）依然取得了不俗的成绩。集团收入再创历史新高，达156亿美元。航煤和其他油品供应与贸易量也创新高，达1650万吨。集团拓展其他油品业务的努力初见成效，航煤以外其他油品贸易开始创造收益。可向股东分配的净利润增长6.1%至7022万美元，连续第五年创历史新高。

2013年业绩

航煤业务持续增长

虽然中国经济增长放缓，但作为世界第二大民航业市场，中国在2013年依然保持了双位数的增长。2013年1月至11月，中国的航空旅客吞吐量约3.26亿人次，同比增长11%，同时期内航空运输周转量达到616亿吨千里，同比增长10.3%。

作为中国唯一的航油进口商，尽管中国国内航煤产能增加，但由于需求增长，集团向中国的航煤供应业务保持稳定，并以此为基础拓展航煤优化和贸易业务。

CAO的航空市场营销业务刚刚起步，2013年增长迅速。CAO现在是中国三大航空公司在中国以外的30家国际机场的最大航煤供应商，供应地点包括欧洲、北美、亚太以及中东。2013年全年业务量同比增长34.4%。

增强盈利能力

集团继续利用亚太地区最大航油实货贸易商这一竞争优势，加强航煤自营贸易能力。优化和贸易活动带来的毛利明显超过向中国供应带来的毛利。

集团通过其他油品贸易拓展收入来源，并已经开始盈利。2013年其他油品贸易量增长42.2%至610万吨。此业务板块的盈利能力继续显著增长，2013年毛利同比增长652%。

作为CAO供应和贸易业务盈利能力指标的毛利总额在2013年同比增长22.8%至5250万美元。这证明集团的业务模式和贸易团队即使在不利的市场环境中仍创造了利润的增长。

联营公司的利润贡献保持稳定。2013年联营公司的利润贡献为4650万美元。

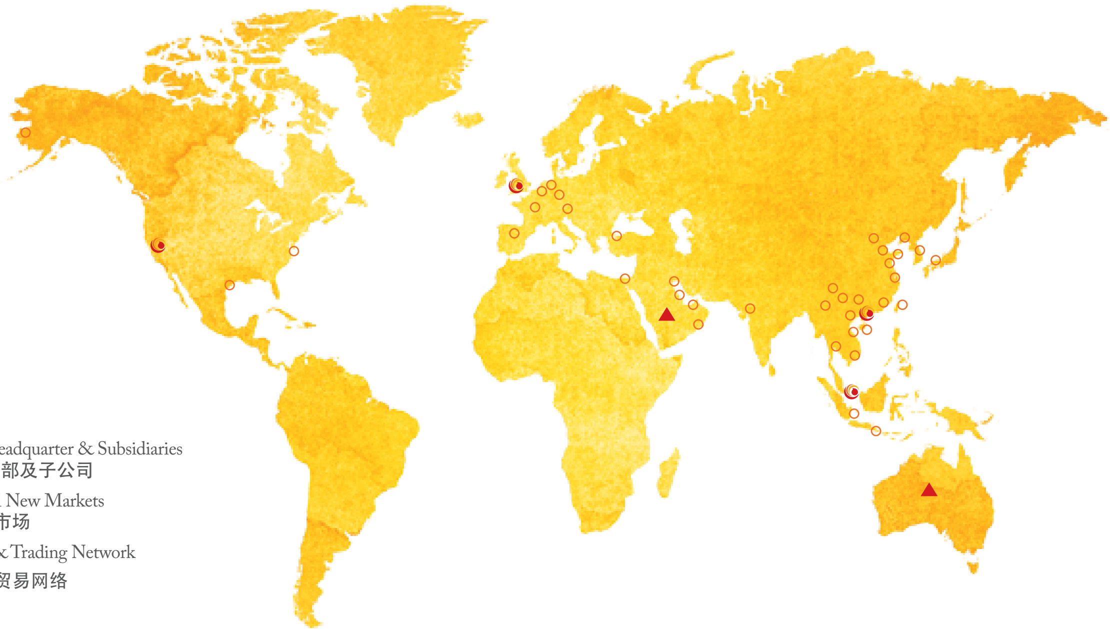
公司治理

我们认为持续稳健的公司业绩和稳定的投资者信心是公司持续发展长期业务和实现股东价值的基础，而其关键在于公司治理。在过去一年，董事会致力于把握集团战略方向，促进集团实现稳健增长，同时确保有效控制重大风险，且严格遵守法律和法规，致力于保持高标准的公司治理，并邀请第三方独立顾问对内控系统进行每两年一次的审查。

2013年11月，在新加坡证券投资者协会举办的第十四届投资者选择奖中，CAO获颁公司治理奖（中型企业组别第二名）。CAO也连续第四年获得了最透明公司奖（油气行业第二名）。

Oil storage facilities at CNAF
CNAF 储罐设施

董事长致辞



CAO Headquarter & Subsidiaries
CAO 总部及子公司

Potential New Markets
潜在新市场

Supply & Trading Network
供应与贸易网络

“世界油品市场格局的变化要求CAO必须加快建立全球业务网络，我们会努力将业务从亚太发展至全球，把握市场变化所带来的机遇。”

在2013年新加坡《商业时报》和新加坡国立大学公司治理与财务报告中心发布的治理与透明度排名中，CAO在664家接受评估的新加坡上市公司中位居第36位，位列前6%。

提高股东回报

为了更好地回馈股东，董事会批准发行红利股，即每五股现有普通股配发一股红利股，同时提议向股东派发每股0.02新元的年度年终股息（单层免税）。总金额约占2013年税后利润的19.3%（2012年：17.5%）。

展望

中国快速发展的民航业预计在2020年前保持平均双位数的年增长。行业预测中国民航业总周转量在2020年将达到1700亿吨公里，这必将带动中国进口航煤需求的稳定增长，从而推动CAO的业务拓展。

全球宏观经济方面，美国经济表现好于预期，欧洲或从衰退中恢复，中国经济继续保持稳定增长。尽管如此，不确定因素犹存。虽然美国在2013年10月避免了信用违约危机，但根本问题仍未解决。美联储何时取消扩张性货币政策的不可预测性也预计会给全球金融市场带来震荡。新兴国家经济增速缓慢，发展前景依然不明朗。预计油价继续高位波动，给油品贸易活动带来挑战。

另一方面，随着美国大量开采页岩气从而预期将成为油品出口国，国际油品市场格局也正在发生变化。亚洲和中东大炼厂的出现使其油品出口量继续增加，而欧洲炼厂接连关闭，进口需求相应增加。预计全球油品需求增长主要由运输业驱动。变动的格局一方面会创造贸易机会，另一方面也意味着需要调整贸易战略，且竞争或将加剧。

在此背景下，CAO会秉持2020年发展战略规划。世界油品市场格局的变化要求CAO必须加快建立全球业务网络，我们会努力将业务从亚太发展至全球，把握市场变化所带来的机遇。

致意与感谢

刘福春先生将于2014年4月24日召开的第20次常年股东大会上退休，在此我谨代表董事会，对刘福春先生表达衷心的感谢。刘先生在担任独立董事的八年间尽职尽责，他的辛苦付出和远见卓识令董事会受益匪浅，对公司做出了卓越贡献。

我还要感谢所有股东对CAO不遗余力的支持和信心。感谢管理层和所有员工为了CAO的业绩所付出的辛勤工作。

我也感谢中新两国政府部门的指导。感谢社会各界人士对CAO的关心和支持。感谢各位董事们为CAO发展提供的悉心指导和辛勤付出。

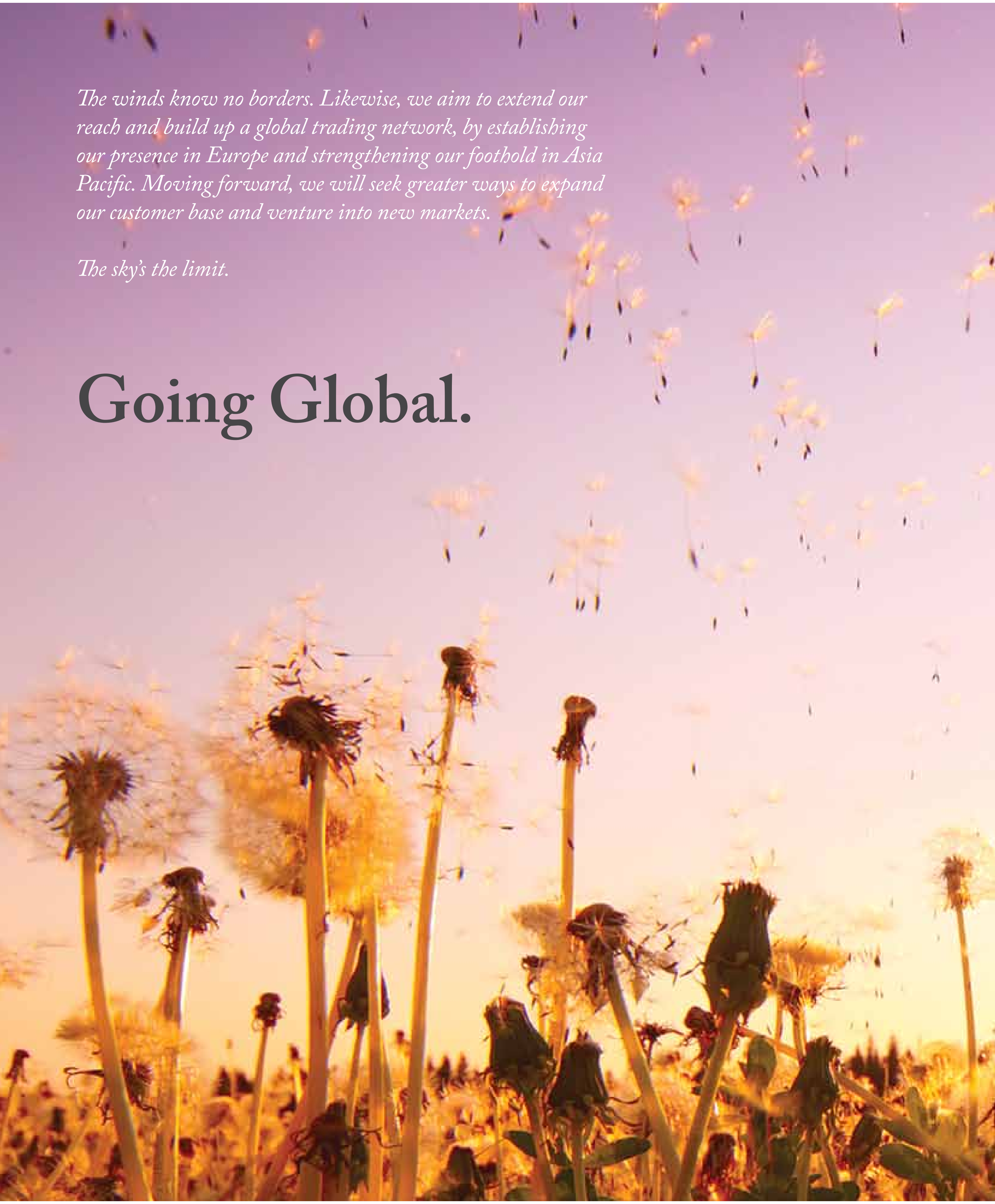
我相信，在明晰的战略框架和出色的管理团队的领导下，在股东、商业伙伴和各界朋友的支持下，CAO有能力在全球运输燃料市场占据一席之地，实现可持续增长。

孙立
董事长

The winds know no borders. Likewise, we aim to extend our reach and build up a global trading network, by establishing our presence in Europe and strengthening our foothold in Asia Pacific. Moving forward, we will seek greater ways to expand our customer base and venture into new markets.

The sky's the limit.

Going Global.



跨越国际

CEO's Message

Dear Shareholders,

I am truly delighted by the steady progress CAO has made. Under the stewardship of our Board of Directors and with a competent management team at the helm, we have collectively steered the Group to scale new heights and created a robust enterprise; one that is sustainable and built on strong pillars that the Group has further strengthened in recent years, despite the many challenges we faced.

In 2013, even as the global economy remained lacklustre amid continued volatility in oil markets, CAO achieved significant corporate progress and milestones. Through the effective implementation of its corporate strategy to expand its businesses in the supply and trading of jet fuels and the trading of other oil products as well as diversify its income streams by proactively investing in oil related assets, CAO successfully established and expanded its global network even as we continued to enforce stringent risk controls and enhance management capabilities to run an increasingly international corporation.

2013 saw CAO topping its targets, sustaining its rapid growth trajectory over the last five years and setting new highs in revenues and profitability. We also witnessed the Group's corporate profile rise internationally as we seized growth opportunities on the back of our "2020 Strategy" roadmap by building a comprehensive global supply and trading network. Today, CAO is working steadily towards achieving its 2020 vision of becoming a top-tier integrated global transportation fuels provider.

OVERVIEW OF 2013 GROUP OPERATIONS

2013 was a year of significant advancement for the CAO Group. Our ability to ensure certainty of jet fuel supply to China was further fortified through CAO's increased supply network, strengthened customer relationships and the Group's structural advantage in jet fuel supply and trading.

The Group's entrepreneurial trading capability continued to grow steadily. In 2013, entrepreneurial trading volumes increased 18% and accounted for 64% of total sales volume. This translated into a record gross profit increase of 23% over the previous year.

The Group's strategy to diversify its products to include the trading of other oil products yielded positive results with a 42% volume increase in the trading of other oil products. Validating our strategy, gross profit for other oil products jumped 6.4 times.

Significant progress was also made in CAO's emerging Aviation Marketing division. In 2013, the number of CAO supply locations outside China reached 30 international airports.

CNAF Hong Kong Refueling Limited ("CNAF HKR"), the consortium led by our Hong Kong subsidiary, CAOHK, won a third refueling license at the Hong Kong International Airport. CNAF HKR is expected to be operational in 2015. Our wholly owned subsidiary in the United States of America, North American Fuel Corporation will gradually change its existing back-to-back direct supply model to independent supply model. These important developments, together with the establishment of CAO (Europe) form the rudiments of CAO's expanding globalised business network.

Our strategic asset investment in OKYC commenced operations in April 2013, and today facilitates our supply and trading business, complementing CAO's storage network across the Asia Pacific region.

FORGING AHEAD WITH A DIVERSIFIED GROWTH PLATFORM

Looking ahead, the global economic recovery remains uncertain. Exacerbated by speculative activities, oil prices are expected to remain volatile at higher prices and this may pose greater challenges to the Group in terms of trading risk exposures.

The slowdown of China's economic growth is inevitable and with the increase of China's domestic refining capacity, a corresponding slowing down of demand for jet fuel import is to be expected. This would invariably pose challenges to our core jet fuel business.

As the largest physical jet fuel trader in Asia Pacific, despite a relatively strong position in the region, CAO will also invariably face limited growth potential if confined to Asia Pacific where growth in demand has been slowing. CAO needs to and will enhance its capabilities for globalized operations. Its asset network will be improved to support business expansion and we will establish our business value chain through greater synergy and optimisation. We would also need to improve the trading of other oil products by establishing and consolidating our structural advantages.

Faced with new challenges and changing business dynamics, CAO has adopted several risk mitigating measures to sustain long-term growth of its businesses.

SUPPLY AND TRADING OF JET FUEL

CAO will continue to grow and expand its jet trading business beyond Asia Pacific by expanding its international jet supply and trading businesses globally. Our presence in Asia Pacific, Europe and North America today forms the rudiment of CAO's global network which will be developed further to create and strengthen synergies.

MENG FANQIU
Chief Executive Officer/Executive Director

孟繁秋
首席執行官/執行董事

CEO's Message

"As we make strategic strides to extend our footprint and move closer to our 2020 vision, we have strengthened our operational capabilities, built on our competitive advantages and improved synergies across our international operations."

TRADING OF OTHER OIL PRODUCTS

The Group will continue to develop its business in other oil products and leverage its structural advantages to drive profit contribution. To further our gas oil business, we will develop new markets for physical trades to bring about volume growth. For our fuel oil business, our focus is to leverage on our Singapore storages to operate fuel oil bulk cargo sub-packaging and blending even as we continue to expand CAO's bunker oil business. CAO's petrochemical business will leverage on its footprint in the PRC market and diversify to other oil products to enlarge our customer base, increase term contract volumes and nurture a sustainable business model for our petrochemical business.

AVIATION MARKETING

Our aviation marketing division will be transformed to promote market entry with direct access and independent supply through cargo import or bulk procurement at targeted airports. By consolidating market demand, we create synergy for trading and develop economies of scale to generate higher returns. We will also continue strategic alliances with both suppliers and airline companies to further strengthen CAO's market presence at supply locations and facilitate our entry into new markets.

STRATEGIC ASSET INVESTMENTS

CAO will further extend its logistics supply chain through mergers and acquisitions to facilitate new market entry and inorganic growth. Our preference includes projects with reasonable returns which are complementary to our business operations including storages, pipelines, jetties and refueling facilities at airports. Apart from this, we also consider acquisition of trading companies with established sales network as well as suppliers with captive customer base.

POSITIONED FOR GROWTH

NEW MARKETS

We will explore new markets to augment our growth. Strategy studies on new markets such as Australia and the Middle East have been made as we look to enhance our global business network. We will also continue to closely monitor changing market trends and explore new products such as aviation biofuels and LNG.

CORPORATE GOVERNANCE

CAO will continue to transform its business model and put in place policies & procedures to support its growing global operations. We have put in place a stringent internal control and risk management framework as well as implemented corporate policies including a consolidated HR manual, an integrated IT system with trading and risk management systems to provide guidance to CAO's growing international workforce. We will regularly review these policies to ensure consistency with market practice and compliance with SGX Listing Rules as well as relevant authorities.

We have also made significant progress in enhancing transparency, corporate governance and reinforcing our robust risk management framework to ensure tighter control and management of risks.

It is CAO's aim to continue upholding high standards of corporate governance with enhanced overall transparency across the Group.

CORPORATE CULTURE

We will uphold our corporate values of Fairness, Integrity, Innovation and Transparency. As CAO transforms into an international enterprise, we seek to promote and cultivate a globalised corporate culture. CAO will review its code of ethics and compliance to further promote teamwork across the Group as a CAO core value. We will also further optimise and balance our short-term and long-term incentive plans as well as provide training opportunities for employees so that they may grow with CAO and create even greater value for the Group.

CORPORATE SOCIAL RESPONSIBILITIES

As CAO achieves corporate success, our Corporate Social Responsibility ("CSR") activities will increase in tandem, so that we may do our part for society. Our CSR initiatives will be planned with a farther horizon and in a more systematic manner. The Group will cooperate with local institutions on environmental protection programs; continue to support the activities of Healthy Start Child Development Centre, a pre-school organisation which runs early childhood programmes to cater to less privileged children in Singapore.

CEO's Message

CAO was awarded "Most Transparent Company" (Runner-up in Oil & Gas Category) at SIAS Investors Choice Awards 2013
CAO获颁2013年SIAS投资者选择奖 "最透明企业"（油气组别第二名）

The measures we took have transformed the Group into a more resilient and sustainable enterprise and will improve our ability to manage and adapt to uncertainties in the global economic environment. As we make strategic strides to extend our footprint and move closer to our 2020 vision, we have strengthened our operational capabilities, built on our competitive advantages and improved synergies across our international operations. Through proactive financial management, we have continued to strengthen the Group's balance sheet and invest in new growth markets. With its globalised operating capabilities and a strong balance sheet in place, the Group is poised to seize new opportunities and grow for many years to come. I am confident that in time, CAO will grow into a formidable multi-national-corporation.

APPRECIATION

On behalf of the management team and all CAO employees, I wish to thank our parent company, CNAF, and major shareholder, BP, for their continuous support. I would also like to thank all our shareholders for their understanding and support. Creating value for shareholders is our ultimate mission.

I would also like to express my gratitude to our sister company, China National Aviation Fuel Corporation Ltd, our suppliers, trading counterparties, ship owners, and other business partners for their support. We look forward to more mutually beneficial and deeper cooperation in the future.

A sincere thank you to our associated companies - SPIA, TSN-PEKCL, Xinyuan and OKYC. The growth of our associated companies underpins our business development.

I would also like to thank all the staff in CAO and its subsidiaries. CAO would not have achieved this much if not for your commitment and endeavours.

Lastly, my appreciation goes to all other stakeholders for their support. We look forward to your continued support in the future.

FUELLED FOR THE FUTURE

"Fuel for Future" is our new mantra developed in line with our 2020 strategic roadmap, demonstrating the confidence and determination of all CAO employees to persistently and continuously deliver value for shareholders and society.

Let us "Fuel for Future" and welcome CAO to a brighter and more promising future!

MENG FANQIU
Chief Executive Officer/Executive Director

Fuel for Future为明天加油

首席执行官致辞

各位股东：

我非常欣喜地看到CAO的业务稳定发展。在公司董事会的正确指导和优秀管理团队的带领下，公司上下齐心协力再创佳绩，公司发展更加稳健。近年来，尽管我们面临许多挑战，但仍然实现了持续发展，夯实了集团业务基础。

2013年，尽管世界经济持续低迷、油品市场起伏动荡，但CAO实现了重大突破。通过有效实施公司拓展航油核心业务、积极扩大其他油品业务，努力拓展油品相关实业投资的战略，公司成功建立并拓展了全球业务网络，同时，秉持严格的风险控制和加强风险管理能力，公司日益国际化。

2013年CAO再创佳绩，不仅保持了连续五年的快速发展，营业额和利润也再创新高。根据CAO“2020战略”路线图，公司把握发展机遇，创建了全球供应与贸易网络，在全球市场树立了企业形象。现在的CAO正稳步朝向战略目标迈进，即2020年成为全球一流的运输燃料一体化方案提供商。

2013年总体经营情况

2013年CAO发展显著。通过拓展供应网络、加强客户关系，以及供应和贸易的结构性优势，公司向中国供应航煤的能力进一步加强。

公司自营贸易能力持续增长。2013年，自营业务量同比增长18%，占公司业务总量的64%。自营业务毛利的增长使得公司毛利再创新高，同比增长23%。

2013年，通过拓展其他油品贸易，CAO在相关多元化战略方面取得积极进展。其他油品业务量同比增长42%，其他油品贸易毛利强劲增长6.4倍。

CAO的航空市场营销业务取得突破性进展。截止2013年12月31日，公司向中国以外共计30个机场供应航油。

香港公司通过竞标获得香港机场第三块加注牌照，并组建了中国航油香港供油有限公司（“CNAF HKR”）。CNAF HKR预期在2015年开始运营。我们的全资子公司北美航油有限公司，将逐渐由当前的背对背直供模式向独立自供模式转变。与此同时，中国航油（欧洲）有限公司得以建立，全球业务网络初步成型。

公司在实业投资方面也取得了积极进展。OKYC储罐在2013年4月投入使用，对供应与贸易发挥支撑作用，巩固了CAO在亚太的储罐布局。

多元化发展促进集团不断前进

展望未来，全球经济复苏仍不明朗。由于投机活动加剧，油价预期在高位震荡，从贸易风险的角度将对公司带来更大的挑战。

中国经济增长的放缓不可避免，随着中国国内产能的增长，预期航油进口需求增长也相应放缓，这使我们的航煤核心业务面临挑战。

作为亚太最大的航油实货贸易商，尽管在该地区具有较强的优势地位，如果业务持续局限于亚太地区，发展潜力必将受到限制。因此，CAO需要加强全球运营能力，改进现有资产网络以支持业务拓展，通过优化业务价值链产生更强的协同效应。同时，不断建立和巩固其他油品的结构性优势。

面临新的形势和新的挑战，CAO采取了一系列风险管理举措，以实现业务的长期可持续发展。

航油供应与贸易

CAO将继续发展和拓展亚太以外的航油贸易活动，实现航油的全球化供应与贸易。我们在亚太、欧洲和北美的贸易联动，将初步构建全球业务网络，逐步实现贸易协同价值。

其他油品贸易

我们将持续建立其他油品的结构性优势，不断创造价值。为拓展柴油业务，将通过拓展新的实货市场带动业务量的增长。对于燃料油业务，在拓展船用燃料油业务的同时，利用新加坡储罐重点开展燃料油大宗货物分装和混调业务。化工品业务的重点是继续依托中国市场，推进产品多元化、拓展新客户群并增加长期合同量，巩固化工品业务相对稳定的盈利模式。

航空市场营销

我们的航空市场营销部门，将重点在目标机场通过进口航油或批量采购，实现自供并实现供应与贸易的的协同性。通过整合市场需求，以实现贸易协同性和较高的利润回报。我们将继续凭借与供应商和航空公司的战略关系，加强现有供应点的市场占有率，并拓展新的市场。

战略实业投资

CAO将通过兼并与收购活动，进一步打造物流供应链，支持开拓新市场，实现跨越式增长。我们优先考虑回报合理、与贸易活动有协同效应的投资项目，包括储罐、管线、码头以及机场加注设施。此外，也会考虑收购具有成熟销售网络的贸易公司和既定客户需求的供油公司。

首席执行官致辞

厚积薄发

新市场
我们将拓展新的市场以实现增长。目前，公司已经完成包括澳大利亚和中东等市场的进入策略，以配合拓展全球业务网络。我们也密切跟踪市场发展趋势，跟进生物航油和液化天然气等新业务的进入机会。

公司治理
CAO将持续业务模式的转型，通过建立政策和流程，支持其日益增长的全球业务。我们已经制订了严格的内部控制和风险管理框架，相应实施公司政策，包括一个综合的人力资源手册，一个集成了贸易和风险管理的IT系统，以支持日益增长的国际业务。我们会定期审核这些政策，以确保符合市场规范、遵守新交所上市条例并符合相关监管部门规定。

CAO加强风险管理控制框架，确保更加严格的风险管控，并在提高公司透明度和公司治理水平方面取得了显著进步。

CAO的目标是秉持高标准的公司治理水平，加强企业透明度。

企业文化
CAO始终秉承公平、诚信、创新、透明的核心价值观。作为日益国际化的企业，CAO致力于培育具全球性的企业文化。CAO将审核企业道德标准与合规情况，以进一步推动团队合作这一集团核心价值观。我们也将进一步优化和平衡我们的长期和短期激励计划，向员工提供培训机会，让员工能够与公司共同成长，并创造更大的价值。

企业社会责任
随着公司的成长，我们将持续开展企业社会责任活动，并不断拓展深度和广度，尽自己的力量回馈社会。我们将与本地环保机构合作开展环保主题的活动；继续与健康起点儿童发展中心合作帮助新加坡的弱势学前儿童们。

为管理和应对全球经济的不确定性，我们采取措施，使公司可以更加灵活地进行可持续发展。CAO朝着2020年目标迈进，我们加强了运营能力，利用竞争优势在全球运营中加强协同效应。积极的财政管理使集团的资产负债表更加稳健，并得以拓展新的业务。有了全球运作能力和稳健的资产负债表，我们蓄势待发，伺机寻求新的发展机遇。我相信，在不久的将来，CAO将成长为一家出色的跨国企业。

致谢

在此，我谨代表管理层和全体员工，感谢母公司CNAF和大股东BP长期以来的支持，也诚挚感谢各界人士的理解和信任。为股东创造价值是我们的使命所在。

感谢兄弟单位中国航空油料有限责任公司、供应商、贸易伙伴、船东，以及其他商业伙伴的支持。期待着我们未来有更深入和广泛的合作。

感谢浦东航油、管输公司、新源公司和OKYC的贡献。联营公司的利润贡献是我们业务拓展很重要的基础。

感谢CAO全体员工和子公司全体员工，是你们的付出才换来了公司今天的业绩。

最后，感谢所有关心和支持CAO的各界朋友，希望继续得到你们的支持。

为明天加油

“为明天加油”是公司全体员工结合公司战略路线图共同提出的口号，代表CAO全体员工自强不息，为股东和社会创造价值的信心、决心和恒心。

让我们“为明天加油”，迎接CAO更加辉煌的明天！

孟繁秋
首席执行官/执行董事

Fairness 公平
Integrity 诚信
Innovation 创新
Transparency 透明

2013 Operations Review

JET FUEL

The overall demand for jet fuel in Asia Pacific in 2013 was buoyant although demand for kerosene in Asia continued to see substantial contraction during the year, especially from Japan. Strong jet fuel demand from China accounted for almost half of the total jet fuel growth in Asia Pacific.

The Middle East, the next fastest aviation demand growth area after China, experienced strong demand growth where local domestic airlines and airports' expansion continued to generate high consumption. The United Arab Emirates, which owns two of the largest regional airlines -- Emirates and Etihad Airways -- was the largest jet fuel consumer in the Middle East accounting for approximately 37% of total jet fuel demand in the Middle East. The Saudi government's policy of encouraging domestic airlines to operate more domestic flights through competitive jet fuel rates, as well as Qatar's expansion of its Doha airport and airline developments also further promoted jet fuel consumption in the Middle East.

Lower worldwide jet supply inventory levels compounded by traders' pricing activities pulled cargoes from the East to the US and Europe, keeping Asia's overall jet supply in balance. Refineries' closures in the West also partly contributed to the stronger than expected spot arbitrage demand there.

Despite the complex and challenging trading environment, CAO's jet fuel trading book continued to deliver good results through cargoes optimisation via our own procurement and shipping capability as well as the strengthening of our core business relationships with Chinese refineries and key jet fuel customers.

AVIATION MARKETING

The aviation industry experienced an uncertain year in 2013 due in part to the struggling economies of Europe and the US. Jet fuel demand at these airports was still significantly below the peak levels seen before the global financial crisis of 2008. Asian and Middle Eastern airports enjoyed strong growth. Airlines from these regions, particularly the Chinese and Gulf carriers, forged ahead with their route expansion programmes across the globe.

With the price of Brent crude oil above US$100 per barrel, commercial airline operators focused on maintaining optimum capacity, adopting operational flexibility to adjust their capacities in response to market conditions for both passenger and cargo business segments.

On fuel supply, the availability of comparatively lower-priced crude oil in the US, coupled with changes in taxation in Europe for the import of jet fuel, had a significant impact on global trading flows in 2013. Concurrently, closures of refineries and changes in ownerships of infrastructure assets led to a fragmented supply chain extending from refinery to airport.

Whilst such industry changes created challenges, they also opened up opportunities for a nimble player like CAO to adopt a longer term perspective to expand its supply capability to airports worldwide.

In 2013, CAO continued to increase its overall market share, leveraging on its strategic collaboration with major Chinese airlines and enhancing its aviation fuel marketing and supply capabilities.

The Group saw its supply of jet fuel to airlines increase with supply locations growing from 22 to 30 international airports, excluding China. Overall jet fuel supply volume to airlines grew from 750,000 metric tons in 2012 to 1 million metric tons in 2013.

In 2013, the consortium led by CAO's wholly owned subsidiary CAOHK established a new joint venture company, CNAF Hong Kong Refuelling Limited ("CNAF HKR"). CNAF HKR will be the third company to provide into-plane fuelling services at Hong Kong International Airport at Chek Lap Kok ("HKIA"). CNAF HKR is expected to commence operations in 2015. CAO Group's foray into the into-plane fuelling business through CNAF HKR will further entrench its presence at HKIA. This will also go a long way towards achieving CAO's strategic goal of becoming an important jet fuel service provider at international airports.

GAS OIL

It was a challenging year for gas oil trading as regional gas oil demand remained lacklustre, weighed down by the global economic woes. The gas oil trading team continued regional physical trading in Indonesia, Singapore, Korea, Taiwan as well as other economies and also actively executed paper trading. Despite the challenging trading environment, the gas oil book was able to achieve better performance than the previous year.

Weaker than expected gas oil demand in China because of its sluggish industrial sector resulted in lower gas oil prices in the year. Gas oil accounted for the lion's share of petroleum products' demand in Asia, accounting for about 30% of total consumption in 2013 and will continue to remain the mainstay of demand growth in Asia due to its vast use in the industrial, transportation and power generation sectors.

FUEL OIL

Fuel oil supply was mostly abundant for the most part of 2013. The weak freight rates kept arbitrage from West to East opened most of the time, making it challenging for fuel oil trading. Demand from China, after an uptick early in the year, was on a downward trend for most of 2013. A new low for imports was posted by China in September 2013, but bounced back on strong buying in the October-December period.

Demand for straight run fuel oil was strong across Asia, due to reductions in refineries throughput as a result of poor refinery margins. This in turn created a shortage of good quality fuel oil and depressed price of heavy fuel oil blending materials. Insufficient quality blend stocks also resulted in tighter supply of on-specification commodity grade fuel oil.

2013 Operations Review

Notwithstanding these bearish fundamentals, the fuel oil market was marked by high volatility on aggressive plays. Amid the challenging operating environment, many players reduced their trading activities or stayed on the sidelines resulting in poor liquidity in the fuel oil market.

During the year, the trading team took up fuel oil storage space at Horizon Singapore Terminals Private Limited in Jurong. This allowed CAO to build a sustainable business model with active participation in cargo procurement, storage, blending, distribution and trading. As a result of the storage facility, we were able to step up our business activities, tripling our fuel oil business volume over 2012 despite the challenging trading environment.

PETROCHEMICALS

It was another successful year for CAO's petrochemicals business, following its strong performance in 2012. CAO successfully secured long term contracts with customers from China, Hong Kong, Japan, Thailand, Singapore and Saudi Arabia, and also entered into long-term purchase contracts directly with oil and petrochemicals majors.

Our physical trading volume was a 30% increase over FY2012 while gross profit soared by 163% to another record high in FY2013.

Key physical products traded were benzene, toluene, styrene monomer, isomer mixed xylenes and paraxylene whilst the paper transactions were mainly crude oil futures, benzene, paraxylene and naphtha swaps.

ASSOCIATED COMPANIES

SHANGHAI PUDONG INTERNATIONAL AIRPORT AVIATION FUEL SUPPLY COMPANY ("SPIA")

As the exclusive supplier of jet fuel at PRC's second largest airport – Shanghai Pudong International Airport ("Pudong Airport"), SPIA provides jet fuel distribution and refuelling service to about 110 Chinese and foreign airlines operating at Pudong Airport. SPIA owns and operates all the refuelling facilities at Pudong Airport, including the hydrant system, dispenser fleet, refuelling stations, airport tank farm, storage terminal with total capacity of 140,000 m^3 and a 42-km dedicated jet pipeline connecting Pudong Airport to Waigaoqiao terminal. CAO owns a 33% stake in SPIA. The other two shareholders of SPIA are Shanghai International Airport Co., Ltd (40%) and Sinopec Assets Management Co. Ltd (27%).

In 2013, SPIA's refuelling volume increased in tandem with the robust growth of both the domestic and international air passenger traffic in China. SPIA achieved creditable performance in 2013, with the total refuelling volume increasing 2.3% over 2012 to 3.2 million tonnes. CAO's share of profit from SPIA increased 17% to US$44.9 million.

CHINA NATIONAL AVIATION FUEL TSN-PEK PIPELINE TRANSPORTATION CORPORATION LTD ("TSN-PEKCL")

TSN-PEKCL's key asset is a 185-km long pipeline transporting the majority of jet fuel requirements of Beijing Capital International Airport and Tianjin Binhai International Airport ("the Pipeline"). Connecting Tianjin Nanjiang terminal with Beijing Capital International Airport and Tianjin Binhai International Airport, the Pipeline is the longest multi-oil product pipeline with the biggest diameter and highest transfer volume in the PRC Civil Aviation industry. CNAF Logistics and CAO hold 51% and 49% equity stakes in TSN-PEKCL, respectively.

Jet fuel transportation volume of TSN-PEKCL achieved a record high of 2.6 million tonnes in 2013, an increase of 1.6% compared to 2012. The increase was mainly driven by higher air traffic turnover at Beijing Capital International Airport. The Group's share of profits from TSN-PEKCL in 2013 was slightly down from 2012 to US$1.7 million even with the increased jet fuel transportation volume, due mainly to higher operating costs.

CHINA AVIATION OIL XINYUAN PETROCHEMICALS CO., LTD ("XINYUAN")

Xinyuan is mainly engaged in the storage and trading of jet fuel and other oil products. Xinyuan owns a storage tank of 50,000 m^3 near Shuidong harbour located in the city of Maoming, Guangdong Province, PRC. Shenzhen Juzhengyuan Petrochemicals Co., Ltd, CAO and CNAF hold 60%, 39% and 1% equity stakes in Xinyuan, respectively.

In 2013, apart from Shuidong storage expansion project, Xinyuan strengthened its internal control & management capabilities and explored new growth opportunities. Profitability of its business was impacted by the bleak economic environment and volatile oil prices. The Group's share of profits from Xinyuan in 2013 was slightly down from 2012 at US$0.5 million.

OILHUB KOREA YEOSU CO., LTD ("OKYC")

Oilhub Korea Yeosu Co., Ltd is CAO's joint investment with six other companies to develop and operate a total storage capacity of 1.3 million m^3 for crude oil and oil products. CAO is the second largest shareholder (26%) of OKYC after Korea National Oil Corporation, which holds 29% of the total issued shares of OKYC. The remaining issued share capital is held by conglomerates such as Samsung C&T Corporation and LG International Corp.

OKYC's overall operation has been smooth with zero accidents since its commercial operation on April 1, 2013. OKYC was certified by BP after rigorous testing in the middle of 2013. In the environment of grim global oil demand and overall poor operation in the Korean storage market, OKYC still managed to achieve storage utilization rate of approximately 78%. However, the Group's share of loss from OKYC in 2013 was US$0.6 million due to higher operation cost and lower marked-to-market gains from its cross currency interest rates contracts.

2013年业务概述

航油

尽管2013年亚洲，尤其是日本的冬季煤油需求持续萎缩，但亚太地区航煤整体需求仍然坚挺。中国强劲的航煤需求占亚太区全部航煤增长的近一半。

中东航煤需求的强劲增长仅次于中国，当地国内航空公司和机场的扩张继续刺激航煤消耗。阿拉伯联合酋长国（阿联酋）有地区内最大的两家航空公司——阿联酋航空和阿提哈德航空——因此是中东地区最大的航煤消费者，其航煤需求约占中东总需求的37%。沙特政府以政策鼓励国内航空公司通过有竞争力的航煤价格开发更多国内航线，同时，卡塔尔拓展多哈机场及航线，这些举措都会进一步提高中东的航煤消耗。

全球降低的航煤库存和贸易员的定价驱使货物从东部流向美国和欧洲，亚洲的整体航煤供应得以平衡。西方炼厂的关闭也部分造成了强于预期的现货套期需求。

虽然贸易环境复杂多变，CAO的航煤贸易账户倚赖自身采购能力、船运能力和与中国炼厂及关键航煤客户的商业关系的加强，依然通过船运优化取得了不错的成果。

航空市场营销

2013年的航空市场由于部分受到欧洲和美国动荡经济的影响，受到一些不确定因素的干扰。机场的航煤需求明显低于2008年全球经济危机前的峰值。尽管如此，亚洲和中东机场仍然取得了强劲的发展。这些地区，尤其是中国和海湾地区的航空公司在全球范围内拓展了航线。

由于布伦特原油的价格持续高于每桶100美元，商业航空公司注重保持最优承载能力，灵活调整承载能力，应对客运和货运两大板块的市场环境。

航煤供应方面，价格相对较低的美国原油的可获得性和欧洲进口航煤的税收变化对2013年的全球贸易流向有着重大影响。同时，炼厂的关闭和基础设施所有权的变更造成炼厂至机场供应链的断裂。

这些行业的变化虽然带来了挑战，但同时也为CAO这样灵活的公司带来了机遇，即从长远来看，加强在全球机场的供应能力。

2013年，CAO继续增加整体市场份额，通过与大型中国航空公司的战略合作关系，加强航空市场营销和供应能力。

航空公司航煤供应方面，集团供应的国际机场数量（除中国外）从22个增至30个。航空公司供应量从2012年的75万吨增至2013年的100万吨。

2013年，由CAO的全资子公司CAOHK牵头的企业联合体成立了新的合资公司——中国航油香港供油有限公司（“CNAF HKR”）。CNAF HKR将成为第三家在香港赤腊角国际机场（“HKIA”）提供航油加注服务的公司，预计在2015年开始运营。CAO集团通过CNAF HKR进军机场航油加注业务，这一举措将进一步巩固其在HKIA的市场地位，也意味着CAO朝着成为重要的国际机场供油服务商这一战略目标又迈进了一大步。

柴油

受制于全球经济困境，2013年柴油的区域需求依然疲软，给柴油贸易业务带来挑战。尽管如此，柴油贸易团队依然在印尼、新加坡、韩国和台湾等地继续进行区域实货贸易，也积极参与纸货贸易。虽然贸易环境不甚乐观，柴油贸易团队还是取得了比去年更好的成绩。

由于工业部门疲软打击柴油价格，中国柴油需求弱于预期。柴油是亚洲需求最旺盛的油品，占2013年总消耗量约30%。由于柴油在工业、运输和发电领域皆有广泛使用，因此仍将是亚洲需求增长的重要支柱。

燃料油

燃料油供应在2013年的大多时候基本充足。较低的燃料油运费为西方向东方的套利活动创造了条件，但给燃料油贸易带来了挑战。中国的燃料油需求在2013年伊始尚佳，随后开始下滑。2013年9月，中国的进口需求降至新低，10月至12月又由于购买活动增多而强势回弹。

亚洲炼厂由于炼制原油的利润较低而相继减产，造成直馏燃料油需求强劲。这导致优质燃料油短缺，也打击了重质燃料油调和原料的价格。同时，优质调和原料的短缺也造成符合规格的可用燃料油供应紧张。

虽然基本面情况不尽如人意，燃料油市场还是由于大批买卖而呈现出很强的波动性。在这样困难的环境中，许多企业减少贸易活动或持观望态度，减弱了燃料油市场的流动性。

2013年，贸易团队在新加坡裕廊岛租用了地平线（新加坡）储油私人有限公司的部分燃料油储罐。CAO得以建立一个可持续的商业模式，积极参与采购、储罐、混调、分销和贸易活动。除此之外，我们得以利用储罐扩大业务，尽管2013年贸易环境并不理想，但燃料油业务量相比2012年翻了三番。

化工品

化工品业务在2012年表现强劲，2013年同样业绩不俗。除了成功和中国、香港、日本、泰国、新加坡和沙特阿拉伯等不同客户签订了长期合约，也直接和大型石油石化企业签订了长期购买合同。

2013年，化工品实货贸易量同比增加30%，毛利飙升163%，再创新高。

实货贸易产品主要是苯、甲苯、苯乙烯、混合二甲苯、对二甲苯，纸货贸易产品主要包括原油期货、苯、对二甲苯和石脑油的掉期合约。

2013年业务概述

联营公司

上海浦东国际机场航空油料有限责任公司（“浦东航油”）

浦东航油是中国第二大机场——上海浦东国际机场（“浦东机场”）的唯一航油供应商。浦东航油向在浦东机场运营的约110家中国及其他国家的航空公司提供销售和加注航油服务，拥有并经营浦东机场全部加油设施，包括全套机坪管网、管线加油车队和罐式加油车队、航空加油站、机场内油库、总库容量达14万立方米的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。CAO拥有浦东航油33%的股份。浦东航油的另外两位股东分别是上海国际机场股份有限公司（持股40%）和中石化资产管理有限公司（持股27%）。

2013年，中国国内和国际航空客运量稳健增长，相应提升浦东航油的加注量。浦东航油在2013年创造了不俗的经营业绩，总加注量相比2012年增加2.3%，达到了320万吨，向CAO贡献了4490万美元的并账利润，同比增长了约17%。

中国航油集团津京管道运输有限责任公司（“管输公司”）

管输公司的主要资产是全长185公里的天津－北京管道（“津京管道”），并通过该管道向北京首都国际机场和天津滨海国际机场提供航油输送服务。津京管道连接天津南疆码头和北京首都国际机场及天津滨海国际机场，是中国民航市场中最长、管径最大和输油量最高的多油品输送管道。中国航油集团物流有限公司和CAO是管输公司两大股东，分别持股51%和49%。

2013年，在北京首都国际机场吞吐量增长的带动下，管输公司的航煤运输量同比增长1.6%至260万吨，再创历史新高。尽管如此，由于运营成本增加，管输公司2013年的并账利润为170万美元，相比2012年略有下滑。

中国航油集团新源石化有限公司（“新源公司”）

新源公司主要从事航油和其他油品的储存和贸易业务。新源公司拥有位于中国广东省茂名市的库容为5万立方米的水东油库。新源公司的股东分别为深圳巨正源石化有限公司、CAO和中国航空油料集团公司，分别持股60%、39%、1%。

2013年，新源公司在抓好水东油库改扩建项目的同时，努力提升内部控制和管理能力，挖掘新的利润增长点。受国内外经济环境较差、油价波动较大的负面影响，新源公司2013年的并账利润为50万美元，相比2012年略有下降。

韩国丽水枢纽油库有限公司（“OKYC”）

韩国丽水枢纽油库有限公司拥有130万方原油和成品油油库，由CAO与另外6家公司合资建立和运营。CAO是OKYC的第二大股东（持股26%），仅次于韩国国家石油公司(持股29%)。OKYC的其余发行股本由三星C&T股份有限公司及LG国际集团公司等大型企业持有。

OKYC自2013年4月1日正式投入运营以来，总体运营态势良好，没有发生任何安全和运营事故。OKYC在2013年中通过了BP的严格检验并得到了认证。在全球油品市场需求整体疲弱和韩国储罐市场总体运营状况不佳的环境下，OKYC的储罐租用率仍然达到了约78%的水平，但由于2013年全年营运成本增加，且外币利率掉期合同的盯市收益减少，OKYC的并帐利润为亏损60万美元。

Board of Directors 董事会

SEATED FROM LEFT（前排左至右）

WANG KAI YUEN
王家園

SUN LI
孙立

MENG FANQIU
孟繁秋

STANDING FROM LEFT（后排左至右）

ALAN HAYWOOD

ZHAO SHOUSEN
赵寿森

CHEN LIMING
陈黎明

ANG SWEE TIAN
汪瑞典

LIU FUCHUN
刘福春

LUO QUN
罗群

Board of Directors 董事会

SUN LI, 61
Non-Executive and Non-Independent Chairman

Date of first appointment as a director:
30 April 2007

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

Length of service as director:
6 years 8 months
(as at 31 December 2013)

BOARD COMMITTEE(S) SERVED ON:
N.A.

ACADEMIC AND PROFESSIONAL QUALIFICATION(S):
- Bachelor of Engineering in Polymer Chemicals, Tsinghua University, Beijing
- Postgraduate Diploma in Political Science
- Senior Engineer (Professor Level)
- Master of Business Administration, Capital University of Economics and Business, Beijing
- Completed Corporate Management Training Courses by IBM, ENSPM (France) and ICI (Britain)

PRESENT DIRECTORSHIPS :
(as at 31 December 2013)

LISTED COMPANIES:
N.A.

OTHER PRINCIPAL DIRECTORSHIPS:
- China National Aviation Fuel Group Corporation *(Chairman)*
- China National Aviation Fuel Group Corporation Limited *(Chairman)*

MAJOR APPOINTMENTS:
(other than directorships)
Chairman of China National Aviation Fuel Group Corporation

PAST DIRECTORSHIPS HELD OVER THE PRECEDING 3 YEARS:
(from 1 January 2011 to 31 December 2013)
N.A.

OTHERS:
- Entitled to the Special Allowance for Specialists from the State Council of the PRC
- Conferred the "National May 1 Labour Medal" in 2011
- Conferred the Outstanding Progress in Safety and Technology Management Award by International Air Transport Association ("IATA") in 2010
- Conferred the Aviation Fuel Person of the Year Award by Armbrust Aviation Group in 2010
- Former General Manager of PetroChina Chemical and Sales Company
- Former General Manager of PetroChina Lanzhou Petrochemical Company
- Former Deputy Director of the Refinery Department of China National Petroleum Corporation
- Former Deputy General Manager of Liaoyang Petrochemical & Fibre Company

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孙立，61岁
非执行、非独立董事长

首次当选董事日期：
2007年4月30日

上次董事轮选日期：
2012年4月26日

供职董事年限：
6年零8个月
(截至2013年12月31日)

供职董事委员会：
无

学术和专业资历：
- 清华大学、化工系高分子化工专业
- 政治学研究生文凭
- 教授级高级工程师资格
- 首都经贸大学、工商管理硕士学位
- 完成IBM公司、国立高等石油与发动机学院（法国）和英国帝国化学工业集团（英国）的企业管理培训课程

现任董事席位：
(截至2013年12月31日)

上市公司：
无

其他主要董事席位：
- 中国航空油料集团公司（董事长）
- 中国航空油料有限责任公司（董事长）

主要任职：
(除董事职位外)
中国航空油料集团公司董事长

过去三年曾任董事席位：
(2011年1月1日至2013年12月31日)
无

其他：
- 享受中国国务院特殊专家津贴
- 2011年获中国全国“五一”劳动奖章
- 2010年被国际航协授予“安全技术管理杰出进步奖”
- 2010年获得Armbrust Aviation Group颁发的“航油风云人物奖”
- 曾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
- 曾任中国石油兰州石化分公司总经理
- 曾任中国石油天然气集团公司炼化部副主任
- 曾任辽阳石油化纤公司副总经理

Board of Directors 董事会

WANG KAI YUEN, 66

Deputy Chairman and Lead Independent Director

Date of first appointment as a director:
28 April 2008

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

Length of service as director:
5 years 8 months
(as at 31 December 2013)

BOARD COMMITTEE(S) SERVED ON:

Remuneration Committee *(Chairman)*
Audit Committee *(Member)*
Nominating Committee *(Member)*

ACADEMIC AND PROFESSIONAL QUALIFICATION(S):

- Bachelor of Engineering in Electrical & Electronics - First Class Honours, National University of Singapore, Singapore
- Master of Science in Electrical Engineering, Stanford University, USA
- Masters of Science in Industrial Engineering, Stanford University, USA
- Philosophy of Doctor in Engineering Systems, Stanford University, USA

PRESENT DIRECTORSHIPS :

(as at 31 December 2013)

LISTED COMPANIES:

- A-Sonic Aerospace Ltd *(Director)*
- ComfortDelGro Corporation Ltd *(Director)*
- Cosco Corporation (Singapore) Limited *(Director)*
- EOC Ltd *(Director)*
- Ezion Holdings Ltd *(Director)*
- HLH Group Ltd *(Chairman)*
- Matex International Ltd *(Director)*
- SuperBowl Holdings Ltd *(Director)*

OTHER PRINCIPAL DIRECTORSHIPS:

- Waan Holdings Pte Ltd *(Director)*
- Great Source Pte Ltd *(Director)*

MAJOR APPOINTMENTS:

(other than directorships)

Member of Foreign Experts Committee of the Overseas Chinese Affairs Office of the State Council of the PRC

PAST DIRECTORSHIPS HELD OVER THE PRECEDING 3 YEARS:

(from 1 January 2011 to 31 December 2013)

- Newspace Fund Ltd
- Asia Micro Holdings Ltd
- Xpress Holdings Ltd

OTHERS:

- Conferred the Friends of Labour Award in 1988
- Former Chairman of Feedback Unit, Government of Singapore
- Former Member of Parliament, Singapore Parliament

王家園，66岁

副董事长、首席独立董事

首次当选董事日期：
2008年4月28日

上次董事轮选日期：
2011年4月28日

供职董事年限：
5年零8个月
(截至2013年12月31日)

供职董事委员会：

薪酬委员会（主席）
审计委员会（成员）
提名委员会（成员）

学术和专业资历：

- 新加坡国立大学工程系一级荣誉学位（电器与电机工程）
- 美国斯坦福大学电机工程硕士学位
- 美国斯坦福大学工业工程硕士学位
- 美国斯坦福大学工程学博士学位

现任董事席位：

(截至2013年12月31日)

上市公司：

- A-Sonic Aerospace Ltd（董事）
- ComfortDelGro Corporation Ltd（董事）
- Cosco Corporation (Singapore) Limited（董事）
- EOC Ltd（董事）
- Ezion Holdings Ltd（董事）
- HLH Group Ltd（董事长）
- Matex International Ltd（董事）
- SuperBowl Holdings Ltd（董事）

其他主要董事席位：

- Waan Holdings Pte Ltd（董事）
- Great Source Pte Ltd（董事）

主要任职：

(除董事职位外)

中国国侨办海外专家委员会成员

过去三年曾任董事席位：

(2011年1月1日至2013年12月31日)

- Newspace Fund Ltd
- Asia Micro Holdings Ltd
- Xpress Holdings Ltd

其他：

- 1988年获颁劳工之友奖
- 新加坡政府民意处理组前主席
- 新加坡前国会议员

Board of Directors 董事会

MENG FANQIU, 46
Chief Executive Officer/Executive Director

Date of first appointment as a director:
28 April 2006

Date of last re-election as a director:
25 April 2013

Length of service as director:
7 years 8 months
(as at 31 December 2013)

BOARD COMMITTEE(S) SERVED ON:
N.A.

ACADEMIC AND PROFESSIONAL QUALIFICATION(S):
- Bachelor of Law (International Economic Law), China University of Political Science and Law, Beijing
- Master of Business Law, Renmin University of China, Beijing
- APAC Executive Master of Business Administration, National University of Singapore, Singapore
- Qualified Legal Attorney and General Legal Counsel, PRC

PRESENT DIRECTORSHIPS :
(as at 31 December 2013)

LISTED COMPANIES:
N.A.

OTHER PRINCIPAL DIRECTORSHIPS
- China Aviation Oil (Hong Kong) Company Limited *(Chairman)*
- North American Fuel Corporation *(Chairman)*
- Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd *(Deputy Chairman)*
- China Aviation Oil Xinyuan Petrochemicals Co Ltd *(Deputy Chairman)*
- China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Limited *(Director)*
- Oilhub Korea Yeosu Co., Ltd *(Director)*
- CAOT Pte. Ltd. *(Director)*
- China Aviation Oil (Europe) Limited *(Director)*

MAJOR APPOINTMENTS:
(other than directorships)
Vice Chairman and Director of Listed Companies Division of China Enterprises Association (Singapore)

PAST DIRECTORSHIPS HELD OVER THE PRECEDING 3 YEARS:
(from 1 January 2011 to 31 December 2013)
N.A.

OTHERS:
- Official of Civil Aviation Administration of China ("CAAC")
- Former Division Director of the Planning and Development Division of China National Aviation Fuel Group Corporation
- Former Lead of Steering Committee for Restructuring of China Aviation Oil Supply Corporation
- Former Member of Corporate Governance Assessment Committee which was constituted during the restructuring of CAO

孟繁秋，46岁
首席执行官/执行董事

首次当选董事日期：
2006年4月28日

上次董事轮选日期：
2013年4月25日

供职董事年限：
7年零8个月
（截至2013年12月31日）

供职董事委员会：
无

学术和专业资历：
- 中国政法大学国际经济法专业法律学士学位
- 中国人民大学民商法硕士学位
- 新加坡国立大学商学院亚太高层企业主管硕士学位
- 中华人民共和国律师资格和中华人民共和国企业法律顾问资格

现任董事席位：
（截至2013年12月31日）

上市公司：
无

其他主要董事席位：
- 中国航油（香港）有限公司（董事长）
- North American Fuel Corporation（董事长）
- 上海浦东国际机场航空油料有限责任公司（副董事长）
- 中国航油集团新源石化有限公司（副董事长）
- 中国航油集团津京管道运输有限责任公司（董事）
- Oilhub Korea Yeosu Co., Ltd（董事）
- CAOT Pte. Ltd.（董事）
- China Aviation Oil (Europe) Limited（董事）

主要任职：
（除董事职位外）
中资企业（新加坡）协会副会长、上市公司部主任

过去三年曾任董事席位：
（2011年1月1日至2013年12月31日）
无

其他
- 曾任职于中国民用航空总局
- 中国航空油料集团公司前规划发展部总经理
- 中国航空油料总公司改制重组项目综合组前组长
- CAO重组期间公司治理评估委员会前委员

Board of Directors 董事会

ZHAO SHOUSEN, 50

Non-Executive Director and Non-Independent Director

Date of first appointment as a director:
28 March 2006

Date of last re-election as a director:
25 April 2013

Length of service as director:
7 years 9 months
(as at 31 December 2013)

BOARD COMMITTEE(S) SERVED ON:
Audit Committee *(Vice Chairman)*
Risk Management Committee *(Member)*

ACADEMIC AND PROFESSIONAL QUALIFICATION(S):
- Bachelor of Management in Financial Accounting, Shandong Economic Institute, Shandong
- Philosophy of Doctor in Industrial Economics, Beijing Jiaotong University, Beijing

PRESENT DIRECTORSHIPS :
(as at 31 December 2013)

LISTED COMPANIES:
N.A.

OTHER PRINCIPAL DIRECTORSHIPS:
- China National Aviation Fuel Supply Corporation Ltd *(Director)*
- China National Aviation Fuel Group Finance Company Ltd *(Chairman)*

MAJOR APPOINTMENTS:
(other than directorships)
Chief Accountant of China National Aviation Fuel Group Corporation

PAST DIRECTORSHIPS HELD OVER THE PRECEDING 3 YEARS:
(from 1 January 2011 to 31 December 2013)
N.A.

OTHERS:
- Former Director of the Department of Financial Assets of Shengli Petroleum Administration
- Former Director, Vice President and Chief Accountant of Sinopec Shengli Oil Field Co Ltd

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赵寿森，50岁
非执行、非独立董事

首次当选董事日期：
2006年3月28日

上次董事轮选日期：
2013年4月25日

供职董事年限：
7年零9个月
(截至2013年12月31日)

供职董事委员会：
审计委员会（副主席）
风险管理委员会（成员）

学术和专业资历：
- 山东财经学院财会专业管理学士学位
- 北京交通大学产业经济学博士学位

现任董事席位：
(截至2013年12月31日)

上市公司：
无

其他主要董事席位：
- 中国航空油料有限责任公司（董事）
- 中国航油集团财务有限公司（董事长）

主要任职：
(除董事职位外)
中国航空油料集团公司总会计师

过去三年曾任董事席位：
(2011年1月1日至2013年12月31日)
无

其他：
- 胜利石油管理局前财务资产部主任
- 中国石化胜利油田有限公司前董事、副总经理、总会计师

Board of Directors 董事会

LIU FUCHUN, 67
Non-Executive and Independent Director

Date of first appointment as a director:
28 March 2006

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

Length of service as director:
7 years 9 months
(as at 31 December 2013)

BOARD COMMITTEE(S) SERVED ON:
Nominating Committee *(Chairman)*
Audit Committee *(Member)*
Remuneration Committee *(Member)*

ACADEMIC AND PROFESSIONAL QUALIFICATION(S):
- Bachelor of Arts in English Language, Beijing Foreign Trade Institute (now known as University of International Business and Economics)
- Bachelor of Management in Financial Accounting Beijing Foreign Trade Junior College (now known as University of International Business and Economics)

PRESENT DIRECTORSHIPS :
(as at 31 December 2013)

LISTED COMPANIES:
- DaChan Food Asia Limited *(Director)*
- China Mengniu Dairy Company Limited *(Director)*

OTHER PRINCIPAL DIRECTORSHIPS:
- China National Aviation Fuel Group Corporation *(Independent Director)*
- China National Coal Group Corporation *(Director)*
- Surbana Fund Management Pte Ltd *(Director)*

MAJOR APPOINTMENTS:
(other than directorships)
N.A.

PAST DIRECTORSHIPS HELD OVER THE PRECEDING 3 YEARS:
(from 1 January 2011 to 31 December 2013)
N.A.

OTHERS:
- Conferred the Senior International Commercialist Award by Ministry of Commerce of the PRC
- Former Director and CEO of China National Cereals, Oils & Foodstuffs Corporation
- Former General Manager of Top Glory (London) Limited
- Former Deputy Consul of Chinese Consular Section in Vancouver, Canada

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刘福春，67岁
非执行、独立董事

首次当选董事日期：
2006年3月28日

上次董事轮选日期：
2011年4月28日

供职董事年限：
7年零9个月
(截至2013年12月31日)

供职董事委员会：
提名委员会（主席）
审计委员会（成员）
薪酬委员会（成员）

学术和专业资历：
- 北京外贸学院
(现对外经济贸易大学)
英语专业文学学士
- 北京外贸专修学院
(现对外经济贸易大学)
财会专业管理学学士

现任董事席位：
(截至2013年12月31日)

上市公司：
- 大成食品亚洲有限公司（董事）
- 中国蒙牛乳业有限公司（董事）

其他主要董事席位：
- 中国航空油料集团公司（独立董事）
- 中国中煤能源集团有限公司（董事）
- Surbana Fund Management Pte Ltd（董事）

主要任职：
(除董事职位外)
无

过去三年曾任董事席位：
(2011年1月1日至2013年12月31日)
无

其他：
- 拥有中华人民共和国商务部颁发的高级国际商务师职称
- 中国粮油食品进出口（集团）有限公司前董事兼总裁
- 鹏利（伦敦）有限公司前总经理
- 中国驻加拿大温哥华总领馆前副领事

Board of Directors 董事会

ALAN HAYWOOD, 47

Non-Executive and Non-Independent Director

Date of first appointment as a director:
24 February 2011

Date of last re-election as a director:
25 April 2013

Length of service as director:
2 years 10 months
(as at 31 December 2013)

BOARD COMMITTEE(S) SERVED ON:

Risk Management Committee *(Chairman)*
Audit Committee *(Member)*

ACADEMIC AND PROFESSIONAL QUALIFICATION(S):

Bachelor of Arts, Merton College,
Oxford University, United Kingdom

PRESENT DIRECTORSHIPS :

(as at 31 December 2013)

LISTED COMPANIES:

N.A.

OTHER PRINCIPAL DIRECTORSHIPS:

- International Swaps and Derivatives Association, Inc. *(Director)*
- BP Oil International Limited *(Director)*
- Britannic Trading Limited *(Director)*
- BP Gas Marketing Limited *(Director)*
- Britannic Energy Trading Limited *(Director)*
- Pearl River Delta Investments Limited *(Director)*
- Guangdong Investments Limited *(Director)*
- BP Investments Asia Limited *(Director)*
- Britannic Investments Iraq Limited *(Director)*
- Britannic Strategies Limited *(Director)*
- Guangdong Dapeng LNG Company Ltd *(Director)*
- Brian Hyde Limited *(Director)*

MAJOR APPOINTMENTS:

(other than directorships)

President of Downstream Gas and Head of Commercial Development, BP Integrated Supply and Trading (“BP IST”)

PAST DIRECTORSHIPS HELD OVER THE PRECEDING 3 YEARS:

(from 1 January 2011 to 31 December 2013)

N.A.

OTHERS:

- Former Chief Operating Officer of Global Gas, BP IST
- Former Head of Supply & Trading (Oil Europe and Finance), BP IST
- Former Business Unit Leader, BP IST Northern Europe Gas & Power
- Former Regional Business Leader, BP IST Energy & Finance

Alan Haywood, 47岁

非执行、非独立董事

首次当选董事日期：
2011年2月24日

上次董事轮选日期：
2013年4月25日

供职董事年限：
2年零10个月
(截至2013年12月31日）

供职董事委员会：

风险管理委员会（主席）
审计委员会（成员）

学术和专业资历：

牛津大学莫顿学院文学学士

现任董事席位：

(截至2013年12月31日）

上市公司：

无

其他主要董事席位：

- 国际掉期交易协会（董事）
- 英国石油国际有限公司（董事）
- Britannic Trading Limited（董事）
- BP Gas Marketing Limited（董事）
- Britannic Energy Trading Limited（董事）
- Pearl River Delta Investments Limited（董事）
- Guangdong Investments Limited（董事）
- BP Investments Asia Limited（董事）
- Britannic Investments Iraq Limited（董事）
- Britannic Strategies Limited（董事）
- 广东大鹏液化天然气有限公司（董事）
- Brian Hyde Limited（董事）

主要任职：

(除董事职位外）

BP综合供应与贸易 (”BP IST”)下游天然气总裁及商业发展总监

过去三年曾任董事席位：

(2011年1月1日至2013年12月31日）

无

其他：

- BP IST全球天然气业务前首席运营官
- BP IST欧洲石油及财务前供应与贸易主管
- BP IST北欧天然气与电力前业务主管
- BP IST能源与财务前区域业务负责人

Board of Directors 董事会

CHEN LIMING, 54
Non-Executive and Non-Independent Director

Date of first appointment as a director:
5 August 2009

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

Length of service as director:
4 years 4 months
(as at 31 December 2013)

BOARD COMMITTEE(S) SERVED ON:
Nominating Committee *(Member)*
Remuneration Committee *(Member)*

ACADEMIC AND PROFESSIONAL QUALIFICATION(S):
- Bachelor of Science, Shihezi University, Xinjiang
- Master of Science, Cornell University, USA
- Completed Advanced Management Programme at Harvard Business School, USA

PRESENT DIRECTORSHIPS :
(as at 31 December 2013)

LISTED COMPANIES:
N.A.

OTHER PRINCIPAL DIRECTORSHIPS:
BP (China) Holdings Limited *(Chairman)*

MAJOR APPOINTMENTS:
(other than directorships)
President of BP China

PAST DIRECTORSHIPS HELD OVER THE PRECEDING 3 YEARS:
(from 1 January 2011 to 31 December 2013)
- Board Director of Shanghai Bi Ke Clean Energy Technology Co., Ltd
- Board Director of East University of Science and Technology
- Board Directors of a few other NGOs

OTHERS:
- Former Executive Vice President of Sasol China
- Visiting Professor of University of Edinburgh

陈黎明，54岁
非执行、非独立董事

首次当选董事日期：
2009年8月5日

上次董事轮选日期：
2012年4月26日

供职董事年限：
4年零4个月
(截至2013年12月31日)

供职董事委员会：
提名委员会（成员）
薪酬委员会（成员）

学术和专业资历：
- 新疆石河子大学理学学士学位
- 美国康乃尔大学理学硕士学位
- 完成美国哈佛商学院高级管理课程

现任董事席位：
(截至2013年12月31日)

上市公司：
无

其他主要董事席位：
BP中国控股公司（董事长）

主要任职：
(除董事职位外)
BP中国总裁

过去三年曾任董事席位：
(2011年1月1日至2013年12月31日)
- 上海碧科清洁能源技术有限公司董事
- 华东理工大学校董
- 其他NGO机构的董事

其他：
- 沙索公司中国区执行副总裁
- 爱丁堡大学客座教授

Board of Directors 董事会

ANG SWEE TIAN, 65

Non-Executive and Independent Director

Date of first appointment as a director:
14 November 2008

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

Length of service as director:
5 years 1 month
(as at 31 December 2013)

Board Committee(s) served on:

Audit Committee
(Chairman)
Nominating Committee
(Member)
Remuneration Committee
(Member)
Risk Management Committee
(Member)

ACADEMIC AND PROFESSIONAL QUALIFICATION(S):

- Bachelor of Accountancy (First Class Honours), Nanyang University of Singapore
- Master of Business Administration (Distinction), Northwestern University, USA

PRESENT DIRECTORSHIPS :

(as at 31 December 2013)

LISTED COMPANIES

Cosco Corporation (Singapore) Limited
(Independent Director)

OTHER PRINCIPAL DIRECTORSHIPS:

- Singapore Mercantile Exchange Pte Ltd
  (Non-Executive Chairman)
- ICE Singapore Holdings Pte Ltd
  (Non-Executive Chairman)-wef 3 February 2014
- Singapore Mercantile Exchange Clearing Corporation Pte Ltd
  (Non-Executive Chairman)-wef 3 February 2014

MAJOR APPOINTMENTS:

(other than directorships)

N.A.

PAST DIRECTORSHIPS HELD OVER THE PRECEDING 3 YEARS:

(from 1 January 2011 to 31 December 2013)

Galaxy Futures Brokers Company Limited

OTHERS:

- Honouree of the Futures Industry Association's Futures Hall of Fame (First Inductee from an Asian Exchange)
- Former Senior Adviser to Singapore Exchange Ltd
- Former President of Singapore Exchange Ltd

汪瑞典，65岁

非执行、独立董事

首次当选董事日期：
2008年11月14日

上次董事轮选日期：
2011年4月28日

供职董事年限：
5年零1个月
(截至2013年12月31日)

供职董事委员会：

审计委员会（主席）
提名委员会（成员）
薪酬委员会（成员）
风险管理委员会（成员）

学术和专业资历：

- 新加坡南洋大学会计学学士（一级荣誉学位）
- 美国西北大学工商管理硕士学位（成绩优异）

现任董事席位：

(截至2013年12月31日)

上市公司：

Cosco Corporation (Singapore) Limited
（独立董事）

其他主要董事席位：

- Singapore Mercantile Exchange Pte Ltd
  （非执行董事长）
- ICE Singapore Holdings Pte Ltd
  （非执行董事长）-自2014年2月3日生效
- Singapore Mercantile Exchange Clearing Corporation Pte Ltd
  （非执行董事长）-自2014年2月3日生效

主要任职：

(除董事职位外)

无

过去三年曾任董事席位：

(2011年1月1日至2013年12月31日)

Galaxy Futures Brokers Company Limited

其他：

- 美国期货协会期货名人堂首位来自亚洲交易所的业者
- 新加坡交易所前高级顾问
- 新加坡交易所前总裁

Board of Directors 董事会

LUO QUN, 51

Non-Executive and Non-Independent Director

Date of first appointment as a director:
26 February 2010

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

Length of service as director:
3 years 10 months
(as at 31 December 2013)

Board Committee(s) served on:

Nominating Committee *(Vice Chairman)*
Remuneration Committee *(Vice Chairman)*

Academic and Professional Qualification(s):

- Master of Engineering, South China University of Technology, Guangdong
- Executive Master of Business Administration, National University of Singapore, Singapore
- Qualified Senior Engineer
- Certified Senior Professional Manager and Certified Senior Risk Manager

PRESENT DIRECTORSHIPS:

(as at 31 December 2013)

LISTED COMPANIES:

N.A.

OTHER PRINCIPAL DIRECTORSHIPS:

N.A.

MAJOR APPOINTMENTS:

(other than directorships)

Vice President of China National Aviation Fuel Group Corporation

PAST DIRECTORSHIPS HELD OVER THE PRECEDING 3 YEARS:

(from 1 January 2011 to 31 December 2013)

N.A.

OTHERS:

- Former President of China National Aviation Fuel Logistics Co., Ltd
- Former Assistant to the President of China National Aviation Fuel Group Corporation
- Project leader of the construction of new jet fuel supply facilities at Guangzhou Baiyun International Airport
- Former Director of China National Aviation South China Bluesky Corporation
- Former Chairman of China Aviation Oil (Hong Kong) Company Limited
- Former Chairman of North American Fuel Corporation

罗群，51岁

非执行、非独立董事

首次当选董事日期：
2010年2月26日

上次董事轮选日期：
2012年4月26日

供职董事年限：
3年零10个月
(截至2013年12月31日)

供职董事委员会：

提名委员会（副主席）
薪酬委员会（副主席）

学术和专业资历：

- 中国华南理工大学工程学硕士
- 新加坡国立大学高层管理人员工商管理硕士学位
- 中国高级工程师
- 注册高级职业经理人和高级风险管理师

现任董事席位：

(截至2013年12月31日)

上市公司：

无

其他主要董事席位：

无

主要任职：

(除董事职位外)

中国航空油料集团公司副总经理

过去三年曾任董事席位：

(2011年1月1日至2013年12月31日)

无

其他：

- 中国航油集团物流有限公司前总经理
- 中国航空油料集团公司前总经理助理
- 广州新白云国际机场迁建供油工程指挥部前指挥长
- 华南蓝天航空油料有限公司前董事
- 中国航油（香港）有限公司前董事长
- 北美航油有限公司前董事长

Senior Management 高级管理层

SEATED FROM LEFT
WANG ZHAOPENG, WANG CHUNYAN, MENG FANQIU, TEO LANG LANG JEAN, HUANG SHAOXIONG

左至右
王兆鹏，王春焱，孟繁秋，张螂螂，黄少雄

MENG FANQIU

Chief Executive Officer / Executive Director

As the Chief Executive Officer ("CEO"), Mr Meng Fanqiu is responsible for the effective management and operations of the entire business of the Group. He is overall in charge of developing and implementing the company's business development strategy to enhance the competitiveness and profitability of the Group. He provides leadership and directions to the various business functions to achieve performance targets, ensures overall business growth and provides supervision and leadership in the business performance of the Group.

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

WANG CHUNYAN

Chief Financial Officer

As the Chief Financial Officer, Mr Wang Chunyan directs and manages CAO's overall financial plans and accounting practices. He oversees the treasury, accounting, budget, tax and audit functions of CAO and also assists the Chief Executive Officer to oversee the IT and risk management functions. He is also the Director of China Aviation Oil (Hong Kong) Company Ltd and CNAF Hong Kong Refuelling Limited.

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

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

Senior Management

TEO LANG LANG JEAN
Chief Operating Officer

As the Chief Operating Officer, Ms Jean Teo is responsible for managing the trading, aviation marketing and operations functions at CAO. She is involved in the development and execution of trading strategies and performance targets for all trading businesses of CAO, which currently include jet fuel, gasoil, fuel oil and petrochemical products, as well as having oversight of the Group's aviation marketing business. Her responsibilities also include assisting the CEO to identify investment projects and new businesses in line with CAO's growth strategy. Ms Teo is also a Director of North American Fuel Corporation.

Ms Teo has more than 15 years of experience in the oil trading industry. Prior to joining CAO, she was a senior trader of distillates products at Cargill International Pte Ltd. Ms Teo began her career with BP Singapore Pte. Ltd ("BPS"), where she held various positions from July 1997 to September 2010, including a secondment to CAO as Head of Trading from January 2008 to August 2010. Earlier on in her career at BPS, Ms Teo was a Lead Trader of Light Distillates which included an overseas posting in London.

Ms Teo holds a Master of Business Administration (Finance) from Manchester Business School, United Kingdom and a Bachelor of Engineering, Chemical (Honours) from National University of Singapore. She is a Fellow member of the Singapore Institute of Arbitrators, and received the Graduate Certificate in International Arbitration from the National University of Singapore in 2013.

WANG ZHAOPENG
President, CAOHK

As President of China Aviation Oil (Hong Kong) Company Limited ("CAOHK"), Mr Wang Zhaopeng directs and manages the day-to-day business operations in Hong Kong. His responsibilities include executing the Group's business strategies and corporate plans, leading the financial and reporting functions, as well as overseeing the risk management across all functions at CAOHK. In addition, he is also responsible for developing and ensuring consistent implementation of the Group's human resource policies and procedures. He is also responsible for advising the Group CEO in all aspects of the business operations of CAOHK, including business development and investment opportunities in support of the Group's strategic objectives related to its global portfolio of business and activities.

Mr Wang has over 28 years of experience in the petroleum and chemical industry in China covering various aspects of business operations, including engineering, sales and marketing and project planning and management. Prior to joining CNAF in 2008 and his subsequent appointment to CAOHK, Mr Wang was the General Manager of Petrochemical Products Trading Department at China Petroleum Technology & Development Corporation from 2001 to 2008. Mr Wang began his career with Urumqi Petrochemical Complex, a subsidiary of China National Petroleum Corporation ("CNPC") (formerly known as Sinopec Urumqi Petrochemical Group Company) in 1984 as the Section Head of Mechanical and Power Management Department. He was subsequently promoted to various managerial positions within the CNPC group before his appointment as the General Manager of International Business Company of Urumqi Petrochemical Refinery Plant (a joint venture of CNPC Urumqi Petrochemical Complex and Sinopec) in 1999.

Mr Wang Zhaopeng graduated with a Bachelor of Science in Mechanical Engineering from China University of Petroleum, and holds the professional qualification of Senior Engineer (Professor Level).

HUANG SHAOXIONG
President, NAFCO

As President of North American Fuel Corporation ("NAFCO"), Mr Huang Shaoxiong directs and manages the day-to-day business operations in North America, which encompasses executing the Group's business strategies and corporate plans, leading the financial and reporting functions, as well as overseeing the risk management across all functions at NAFCO. He is also in charge of developing and ensuring consistent implementation of the Group's human resource policies and procedures. His responsibilities also include advising the Group CEO in all aspects of business operations of NAFCO, including business development and investment opportunities in support of the Group's strategic objectives related to its global portfolio of business and activities.

Mr Huang has 30 years of experience in the petroleum industries in both China and the United States. Prior to joining CNAF in 2009 and his subsequent appointment to NAFCO, he served as the Director of Corporate Development at the New York Stock Exchange-listed energy company, CAMAC Energy Inc., (formerly known as Pacific Asia Petroleum Inc.) in New York from 2006 to 2008. Mr Huang started his career with China Petrochemical Corporation ("Sinopec Corp") in 1984 and had accumulated over 10 years working experience at China Petrochemical International Co., Ltd in Beijing and Sinopec Corp in New York.

Mr Huang holds a Master of Business Administration from the New York Institute of Technology, and a Bachelor of Engineering in Petrochemical Mechanical Engineering from East China Petroleum Institute.

高级管理层

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运营CAO集团的整体业务。他负责实施公司的发展战略，提升本集团的竞争力和盈利能力。他也负责领导和指导各业务部门，使其达到预期目标，确保整体业务增长，并监督和负责审核业绩公告。

关于孟先生更详细的介绍，请参阅“董事会”部分。

王春焱
财务总监

作为财务总监，王春焱先生负责领导和管理CAO整体财务规划与会计事务。他监管CAO的资金运作、会计核算、预算、税收和审计事宜，并协助首席执行官监管公司的IT和风险管理工作。他也是中国航油（香港）股份有限公司和中国航油香港供油有限公司的董事。

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

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

张娜娜
首席运营官

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

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

张女士拥有英国曼彻斯特商学院工商管理金融专业硕士学位、新加坡国立大学化学工程系（荣誉）学士学位。她是新加坡仲裁员学会学士，并于2013年获得了新加坡国立大学的国际仲裁毕业证书。

王兆鹏
中国航油（香港）有限公司总裁

作为中国航油（香港）有限公司（“香港公司”）总裁，王兆鹏先生经营和管理香港业务的日常运作。他的职责包括执行集团商业战略和企业规划，领导财务汇报，以及监管香港公司所有职能部门的风险管理工作。他也负责制定与集团人事政策和流程相一致的规章制度并确保相应执行。同时，向集团首席执行官提供涉及业务运营各方面的建议，如业务发展和投资机会，以支持集团实施拓展全球业务的战略目标。

王先生在中国石油石化行业的工程、销售、市场、项目规划和管理等多个业务领域拥有超过28年的经验。在2008年加入中国航空油料集团公司以前，王先生于2001至2008年担任中国石油技术开发公司石化产品贸易部总经理。王先生的职业生涯开始于1984年，任中国石油天然气集团公司（“中石油集团”）子公司——中国石油乌鲁木齐石油化工总厂（前身为中国石化乌鲁木齐石化总厂炼油厂）机械动力处管理科科长。王先生随后被提拔出任中石油集团多个管理岗位，直至1999年升职为乌鲁木齐石化总厂（中国石油乌鲁木齐石油化工总厂和中国石化的合资公司）国际商务公司的总经理。

王兆鹏先生毕业于中国石油大学机械系，获理学学士学位，拥有研究员级高级工程师资质。

黄少雄
北美航油有限公司总裁

作为北美航油有限公司（“北美公司”）总裁，黄少雄先生经营和管理北美业务的日常运作，包括执行集团商业战略和企业规划，领导财务汇报，监管北美公司所有职能部门的风险管理工作。他也负责发展与集团人事政策和流程相一致的规章制度并确保相应执行。同时，在业务运营的各方面向集团首席执行官提供建议，包括业务发展和投资机会等，以支持集团实施拓展全球业务的战略目标。

黄先生在中美石油领域有30年的经验。黄先生在2009年加入中国航空油料集团公司，随后任职于北美航油有限公司。在此之前，黄先生于2006至2008在一家纽约上市能源公司 – CAMAC能源公司（前身为美国亚太石油公司）任企业发展经理。黄先生的职业生涯开始于1984年，任职于中国石油化工总公司（“中石化”），并在之后的10年中先后任职于在北京的中石化国际事业公司和在纽约的中石化美国公司。

黄先生拥有美国纽约理工学院的工商管理硕士和华东石油学院的石油化工机械工程学士学位。

Management 管理层

STANDING FROM LEFT

OWEN WONG YEW KEE
Head of Risk Management

DOREEN NAH
Head of Legal/Company Secretary

LILY CHOO
Head of HR & Admin

CHOO KEE LENG
Head of Audit & Internal Control

TEE SIEW KIM
Head of Finance

ELAINE ANG
Head of Investor Relations

左至右

黄耀基
风险管理部主管

蓝肖蝶
法律部主管兼公司秘书

朱莉莉
人力资源和行政部主管

朱奇龄
审计与内控部主管

郑秀琴
财务部主管

洪依玲
投资者关系部主管

STANDING FROM LEFT

TEE KAH GAY
General Manager of China Aviation Oil (Europe) Limited

GUO FENG
Assistant to CEO

AMY LIU
Executive Assistant to CEO

ELIZZA DING
Head of Trading

HAN JING XIENG
Head of Business Development

CHUA TENG HOCK
Operations Adviser

LESLIE LAI
Head of Aviation Marketing

左至右

郑佳毅
中国航油（欧洲）有限公司总经理

郭峰
首席执行官助理

刘怡
首席执行官执行助理

丁鑫莉
贸易部主管

韩靖娴
业务发展部主管

蔡丁福
运作顾问

赖世沐
航空市场营销部主管

At CAO, it is an entrenched belief that a sound business sustainability plan should include environmental and social performance in addition to economic performance. This ensures that our business decisions and operations contribute positively to the long-term well-being of our business and the communities where CAO operates. We measure our Company's success and sustainability not just by profitability but also accountability, governance and transparency.

In the ensuing articles of this report, the scope and work of CAO's sustainability efforts are categorised and detailed in the respective areas of Corporate Governance, Risk Management, Audit & Internal Control, Human Capital, Corporate Social Responsibility and Investor Relations.

Sustainability.

可持续发展

Statement of Corporate Governance

The Board of Directors (the "**Board**") and Management of China Aviation Oil (Singapore) Corporation Ltd ("**CAO**" or the "**Company**") are committed to achieving the highest standards of corporate governance and in keeping with the Company's corporate philosophy of transparency and integrity. We strive to surpass the minimum requirements of openness, integrity and accountability prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the recommendations of the Code of Corporate Governance 2012 (the "**2012 Code**"). We regard corporate governance as central to the continued strong performance of our businesses and maintaining investor confidence which underpin the sustainable, long-term growth of our businesses and shareholder value.

Since the adoption of the CAO Corporate Governance Policy in August 2012 which corporate governance principles and guidelines are devised in line with the principles and guidelines set out in the 2012 Code (the "**CAO Corporate Governance Policy**"), significant efforts have been made by relevant departments mandated with the responsibility to oversee the adoption of the CAO Corporate Governance Policy in their practices, processes and operations.

We confirm that throughout the financial year ended 31 December 2013 and at the date of issue of this Statement of Corporate Governance, we were in substantial compliance with the provisions of, and applied the principles set out in the 2012 Code and are currently working towards adopting the other changes where appropriate.

With the view to preserving and growing shareholder value through strong and effective corporate governance, the Board has put in place a set of well-defined and sound systems of internal controls and processes which the Company voluntarily subjects them to biennial review by an independent third party consultant.

This report primarily describes the Company's corporate governance practices for the financial year ended 31 December 2013 and details how we apply the principles and comply with the provisions of the 2012 Code.

(A) BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1

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

Commentary

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

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

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

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

Some of the businesses that the Board transacts include:

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.

Key matters that are specifically reserved for the Board's consideration and decision include, but are not limited to, corporate planning, material acquisitions and disposals of assets, corporate or financial restructuring, formulation of any dividend policy or the change of such dividend policy, declaration of dividends, interested person transactions and any appointment, re-appointment or removal of the Chairman of the Board.

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

The Board met six (6) times in 2013. In addition to the scheduled quarterly Board meetings for the financial year 2013 to: (i) review and approve the release of the quarterly and full-year results; (ii) discuss reports by Management relating to major corporate activities; (iii) approve the annual budget; and (iv) review the performance of the Group's businesses, the Board met on two separate occasions during 2013-(i) a Special Board Meeting held in June 2013 wherein the Board deliberated on a possible acquisition target; and (ii) Board discourse session held in September 2013 on (i) Proposed Aviation Biofuel Supply Business for CAO; (ii) Aviation Marketing Strategy; and (iii) Highlights of Key Issues discussed by Independent Directors at a meeting of Independent Directors held in August 2013 which included the performance of CAO over the last 3 financial year, succession planning for senior management etc. 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.

Statement of Corporate Governance

The number of meetings of the Board and Board Committees held in 2013, as well as the attendance of each Board member at these meetings, are disclosed below:

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

Notes:
(1) Includes a Special Board Meeting of the Company held in June 2013 and Board discourse session held in September 2013.
(2) Mr Ang Swee Tian and Mr Alan Haywood were unable to attend the Board discourse session due to prior engagements.
(3) Mr Chen Liming was unable to attend the Special Board Meeting due to a prior engagement.
(4) Mr Luo Qun was unable to attend the Special Board meeting and the Board discourse session due to prior engagements.

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

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

In line with CAO's Policy on Director Orientation and Professional Development adopted by the Board since November 2012, continuing professional development programmes were organised for Directors to ensure that all Directors are updated on important market developments in the energy industry and issues which may have a significant impact on the businesses, financial and operational matters of the CAO Group. These included (i) a half-day Audit Committee information session relating to "Audit Committee Financial Reporting Training" conducted by Mr Reinhard Klemmer, Executive Director (Accounting Advisory Services) of KPMG Services Pte Ltd; and (ii) a half-day Board Information Session relating to "Market Review, New Developments and Game Changers" conducted by Dr Jeff Brown, President of the FACTS Global Energy. A CAO Board Annual Retreat was also organised for the Directors which included (i) a half-day information session relating to "Potentials and Market Developments in Sustainable Bio-Fuels for Air Transport" conducted by Dr Rob Whitney, Chairman of the Business New Zealand Energy Council, which is the New Zealand member of the World Energy Council; (ii) Board discourse sessions on (a) Proposed Aviation Biofuel Supply Business for CAO; (b) Aviation Marketing Strategy; and (c) Highlights on Issues Discussed by the Independent Directors of CAO at its First Independent Directors' Meeting.

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

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

All Directors practise good governance by updating the Company about changes to their interests in a timely manner.

Board Composition and Balance

Principle 2

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Commentary

The Nominating Committee determines on an annual basis whether or not a Director is independent, taking into consideration the 2012 Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent. Each Director is required to complete a confirmation of independence checklist, which is drawn up in accordance with the guidelines provided by the 2012 Code, and requires each Director to assess his own Independence. The Director is required to declare any circumstances in which he may be considered non-independent. The Nominating Committee will then review the confirmation of independence checklist to determine whether a Director is independent.

Of the nine members on the Board, six are nominated by substantial shareholders and are deemed as non-independent. The three Independent Directors namely, Dr Wang Kai Yuen, Mr Liu Fuchun and Mr Ang Swee Tian, constitute at least one-third of the Board. Currently, at least two Independent Directors are resident in Singapore. These two Independent Directors are Dr Wang Kai Yuen and Mr Ang Swee Tian. None of the nine Board members is related to one another.

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

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

Statement of Corporate Governance

Chairman and Chief Executive Officer

Principle 3

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Commentary

The Chairman, with the assistance of the Deputy Chairman, is primarily responsible for overseeing the overall management and strategic development of the Company. With the assistance of the Company Secretary, schedules Board meetings and ensures that all procedures and good governance practices are complied with. The Chief Executive Officer/Executive Director, Mr Meng Fanqiu consults both with the Chairman and the Deputy Chairman for their views on the agenda for Board meetings.

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

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

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

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

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

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

In accordance with the CAO Corporate Governance Policy, the Independent Directors of CAO meet at least once a year, without the presence of the other Directors, to discuss any matters relevant to the CAO Group, such as its investment criteria, risk management and internal controls, risk appetite and risk tolerance, performance of management, Board communication and performance, and strategic issues. Led by the Deputy Chairman/Lead Independent Director, the Independent Directors of CAO held their first meeting in August 2013 without the presence of the other Directors. Key issues discussed by the Independent Directors of CAO included the performance review of CAO over the last 3 financial years and succession planning for senior management.

Board Membership

Principle 4

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

Commentary

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

Nominating Committee

Liu Fuchun	Chairman
Luo Qun	Vice Chairman
Wang Kai Yuen	Member
Chen Liming	Member
Ang Swee Tian	Member

Other than being an Independent Director of CNAF, Mr Liu Fuchun, the Chairman of the Nominating Committee is not associated with any substantial shareholder of the Company.

The responsibilities of the Nominating Committee include:

a) evaluating and nominating suitable candidates or, as the case may be, re-nominate retiring Directors to the Board;

b) determining each Board member's independence status on an annual basis and as and when circumstances require;

c) evaluating the effectiveness of the Board as a whole and independently evaluate each Board member's performance and contribution to the Board;

d) reviewing of the training and professional development programmes of the Board; and

e) deciding if a Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments.

In line with the Board adopted guiding principles for the determination of a specified maximum number of listed board representations. Directors of CAO should not, as a general guide, hold more than six board representations in listed companies. In addition, the following considerations are also taken into account:

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

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 of nine Directors. The remaining three shall be Independent Directors.

Pursuant to Article 91, one-third of the members of the Board of Directors shall retire by rotation at every annual general meeting of the Company ("**AGM**") and these Directors may offer themselves for re-election, if eligible. For the 20th AGM to be held on 24 April 2014, Dr Wang Kai Yuen, Mr Ang Swee Tian and Mr Liu Fuchun are due for retirement by rotation and would be eligible for re-election. Mr Liu, who has served the Board, the Board Committees and the Company with distinction since his appointment in March 2006, has indicated his intention not to seek re-election at the 20th AGM on 24 April 2014. Upon his retirement as Director at the 20th AGM, Mr Liu will concurrently relinquish his office as the Chairman of the Nominating Committee and as a member of the Audit Committee and the Remuneration Committee.

The Nominating Committee has recommended and the Board agreed that Dr Wang Kai Yuen and Mr Ang Swee Tian, the Directors retiring directors under Article 91 be nominated for re-election at the 20th AGM.

Statement of Corporate Governance

Board Performance

Principle 5

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

Commentary

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

Prior to the Nominating Committee Meeting held during the last quarter of 2013, each member of the Nominating Committee is required to complete a Board assessment and effectiveness questionnaire for 2013 (the "**Board Evaluation Questionnaire**"). The elements of the Board Evaluation Questionnaire included questions on (i) the Board's composition; (ii) Board's access to information prior to Board meetings and on an ongoing basis to enable them to properly discharge their duties and responsibilities as Directors, the expertise and experience of each member of the Board, the conduct of proceedings of meetings, participation and contributions to the Board both inside and outside of Board meetings, the assessment of the performance benchmark for assessing the performance of the Board as a whole and in ensuring the continued return for shareholders, the standard of conduct in preventing conflicts of interest and the disclosure of personal interests and abstention from voting where appropriate. Each member of the Nominating Committee is required to give an assessment ranging from "Needs Significant Improvement" to "Excellent" on each of the core issues.

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

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

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

Access to Information

Principle 6

In order to fulfil their responsibilities, Directors shall be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Commentary

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

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

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

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

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

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

The Board also has ready access to external professionals for consultations, if necessary, and at the Company's expense.

(B) REMUNERATION MATTERS

Procedures for developing Remuneration Policies

Principle 7

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company; and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Statement of Corporate Governance

Disclosure on Remuneration

Principle 9

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Commentary

The Board adopted the recommendations of the 2012 Code and established a Remuneration Committee to consider and to make recommendations on remuneration matters for the Directors and senior executives of the Group. Apart from ensuring consistencies with good practices, the Remuneration Committee is also mindful of the need to ensure that the Company and the Group are able to attract and retain good Directors and senior executives to the business.

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

Remuneration Committee

Wang Kai Yuen	Chairman
Luo Qun	Vice Chairman
Liu Fuchun	Member
Chen Liming	Member
Ang Swee Tian	Member

The Remuneration Committee assists the Board and Management by assessing and making remuneration recommendations for the Executive Directors and senior executives of the Company. The Remuneration Committee also administers the performance bonus scheme and China Aviation Oil Share Option Scheme of the Company ("**CAO Share Option Scheme**"). The CAO Share Option Scheme expired on 9 November 2011.

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

Broadly, remuneration for the Chief Executive Officer/Executive Director ("**CEO/ED**") and top six senior executives for the financial year ended 31 December 2013 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.

Non-executive Directors are paid Directors' fees, subject to the approval of shareholders at the AGM. Directors' fees comprise a basic fee and fees in respect of service on the Board committees.

The remuneration of Directors payable for the financial year ended 31 December 2013, in bands of S$100,000 are set out below:

Remuneration Band & Name of Director	Fee	Based/Fixed Salary	Variable Bonus	Allowances and Other Benefits	Long-Term Incentives	Total	Total
Above S$750,000 to S$1,000,000	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(S$)**
Meng Fanqiu *(CEO/ED)*	0	70	30	0	0	100	830,233
Below S$250,000	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(S$)**
Sun Li *(Chairman)*	100	0	0	0	0	100	80,620
Wang Kai Yuen *(Deputy Chairman/Lead ID)*	100	0	0	0	0	100	134,368
Zhao Shousen	100	0	0	0	0	100	67,184
Liu Fuchun	100	0	0	0	0	100	73,903
Alan Haywood	100	0	0	0	0	100	80,620
Chen Liming	100	0	0	0	0	100	53,748
Ang Swee Tian	100	0	0	0	0	100	94,058
Luo Qun	100	0	0	0	0	100	53,748

The number of six key executives (who are not also Directors) for the financial year ended 31 December 2013 in each remuneration band is set out below:

Remuneration Bands	Number of Executives[1]	Based/Fixed Salary (%)	Variable Bonus (%)	Allowances and Other Benefits (%)	Long-Term Incentives (%)	Total (%)
1,000,000 - 1, 250,000	1	35	65	0	0	100
500,000 - 750,000	1	70	30	0	0	100
250,000 - 500,000	1	100	0	0	0	100
250,000 - 500,000	1	100	0	0	0	100
250,000 - 500,000	1	70	30	0	0	100
250,000 - 500,000	1	70	30	0	0	100

Note:

1. The Company's overall remuneration system for senior executives remains aligned with the core principles of its remuneration policy and the 2020 CAO strategy. Taking into consideration the competitive pressures in the talent market, the Board has, on review, decided not to disclose the names of the six key executives of the Company.

There are no employees in the Group who are immediate family members of the Chairman or any of the Directors during the financial year ended 31 December 2013. "immediate family member" means the spouse, child, adopted child, step child, brother, sister and parent.

The remuneration of the Group's top six key executives takes into consideration the pay and employment conditions within the same industry and is performance related.

Statement of Corporate Governance

The remuneration package of Directors and senior executive officers include the following:

Basic/Fixed Salary - The basic salary (inclusive of statutory employer contributions to Central Provident Fund) for each Executive Director or key management personnel is approved by the Remuneration Committee, taking into account the performance of the individual for the financial year 2013, the inflation price index and information from independent sources on the pay scale for similar jobs in a selected group of comparable organisations.

Structure of Non-Executive Directors' Fees - The structure for the payment of Directors' fees for Non-Executive Directors is based on a framework comprising basic fee and additional fees for serving on the Board Committees and also undertaking additional services for the Group. Fees paid or payable to Non-Executive Directors take into account factors such as effort and time spent, and responsibilities of these Directors. The CEO/ED does not receive Directors' fees for his Board directorships with the Company.

Variable/Performance - The Group operates a bonus scheme for all employees including the CEO/ED. The criteria for the bonus scheme are the level of profit achieved from certain aspects of the Group's business activities against targets, together with an assessment of the Company's and individual's performance during the year. The remuneration disclosed above for the CEO/ED and the six key executives included the 2013 variable bonuses payable in relation to profit targets achieved for the Company's oil trading activities during the financial year 2013.

Others - Benefits in kind such as private medical cover and car are made available where appropriate and consistent with common industry practices.
- Allowances include travel allowance.

Share Options - The Non-Executive Directors of the Company are eligible to participate in the CAO Share Option Scheme which was established since 9 November 2001. On 9 October 2011, the Company made its first and only grant of 5,860,000 share options to eligible participants of the CAO Share Option Scheme which did not include the Independent Directors of the Company. To maintain the internal equity between the Independent Directors and the other Directors of the Company, the Company enlisted the assistance of Hay Group to compute the option value with the purpose of converting the share options grant of 150,000 each to the other Directors into the cash equivalent value for the Independent Directors of the Company. As at the date of this Corporate Governance Statement, a total of 118,000 share options to take up unissued shares in the Company were cancelled under the CAO Share Option Scheme due to staff resignation. The option period in respect of the Executive Options (as defined under the CAO Share Option Scheme) commenced on 9 October 2013 and expires on the date immediately preceding the tenth anniversary of the date of grant i.e. 9 October 2011 ("**Date of Grant**"). Non-Executive Options (as defined under the CAO Share Option Scheme) commenced on 9 October 2013 and expires on the date immediately preceding the fifth anniversary of the Date of Grant.

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

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10

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

Commentary

During the financial year 2013, the Board, through the Audit Committee and the Group's external auditors KPMG LLP ("**KPMG**") and internal auditors, BDO LLP ("**BDO**") appointed as from financial year 2013 in place of Grant Thornton Specialist Services Pte Ltd, scrutinised Management's conduct of the Company's and Group's business processes and financials. Each area of the Company and Group was audited on an ongoing basis to ensure that the Company and Group maintain good corporate practices and governance and financial integrity.

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

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

Risk Management and Internal Controls

Principle 11

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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 had established the Risk Management Committee.

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

Statement of Corporate Governance

Risk Management Committee

Alan Haywood	Chairman
Zhao Shousen	Member
Ang Swee Tian	Member

The Risk Management Committee is responsible for, among others:

(i) setting the limits for various types of risks, such as market, credit, operational, compliance and reputation risks;

(ii) approving new activities that the CAO group plan to embark on; and

(iii) overseeing the risk management practices of the CAO group.

The Risk Management Department of the Company ensures that the risk management activities have been executed daily. The Risk Management Department is responsible for, among others:

(i) ensuring that risk management activities have been executed daily; and

(ii) all risk-related policies, processes and limits are implemented and adhered to.

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

The Risk Management Report is found on page 65 of the Annual Report.

The Company has also established an Audit and Internal Control Department since January 2013 and its key responsibilities included inter alia:

(i) liaising with internal auditors on the preparation of internal audit schedule including short-term and long-term audit plans;

(ii) integrating and establishing the CAO Group's internal control framework, policies, processes and systems across the Company, its subsidiaries and associates;

(iii) facilitating and assisting functional heads in formulating policies, operational processes and systems thereby ensuring that the policies, processes and systems are efficiently implemented;

(iv) oversee the execution and implementation of the CAO Group's Business Continuity Plan;

(v) establishment and conduct of on-going reviews of the templates for standard operating procedures to ensure proper departmental ownership of their processes and changes; and

(vi) evaluating the system of internal controls for new projects and business activities, and analysing the impact of such activities on the CAO Group and where necessary, provide recommendations and develop programmes for improvements.

The Head of Audit and Internal Control reports directly to the CEO/ED. The Head of Audit and Internal Control may also report directly to the Audit Committee for important matters.

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, Deal Entry Policy, CAO Group Trade Sanctions Policy and CAO Group Corporate Guarantee Policy had been endorsed by the Risk Management Committee and relevant departments had also been mandated with the responsibility to oversee the adoption of the aforesaid policies in their practices, processes and operations.

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

Based on the audit reports, internal control systems review report and management controls in place, the Audit Committee is satisfied that the internal control systems provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable. In the course of their statutory audits, the Company's external auditors KPMG will highlight any audit findings which have come to their attention in carrying out their normal audit, which is designed primarily to enable them to express their opinion on the financial statements. In addition, BDO which had been engaged to conduct a follow-up review of the internal control systems and processes of the CAO Group will highlight any internal control weaknesses which have come to their attention in the course of their review. Any such audit findings noted during the audit by external auditors or internal control weaknesses noted during the review by BDO, and recommendations in relation thereto, if any, by the external auditors and BDO respectively, are reported to the Audit Committee.

The CEO/ED and Chief Financial Officer ("**CFO**") at the financial year-end have provided a written assurance to the Board that:

(i) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(ii) the effectiveness of the Group is risk management and internal control systems.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's system of internal controls including financial, operational compliance, information technology controls and risk management systems, were adequate as at 31 December 2013 to provide reasonable assurance for achieving the following objectives:

(i) effectiveness and efficiency of operations;

(ii) reliability of financial reporting; and

(iii) compliance with applicable laws and regulations.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives and goals. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Audit Committee

Principle 12

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 (5) members, all of whom are Non-Executive Directors and the majority, including its Chairman, are Independent Directors:

Statement of Corporate Governance

Audit Committee

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

The Audit Committee held four (4) meetings in 2013 where it met with external and internal auditors to review both the Company and Group's financials and audit reports. A key issue for discussion is the financial statements and announcements made by the Company to shareholders. The members of the Audit Committee, collectively, have expertise or experience in financial management and are qualified to discharge the Audit Committee's responsibilities.

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

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

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

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

The Audit Committee monitors all interested person transactions, including transactions under the general mandate on Interested Person Transactions approved by shareholders at the Extraordinary General Meeting held in April 2013 ("**EGM**"), and conflict of interest situations including transactions, procedures or actions taken which may raise issues about the Management's integrity.

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

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

The Company has put in place a suitable whistle blowing policy and procedure, by which staff of the Group as well as other persons such as suppliers of the Group ("**Stakeholders**") may, in confidence, raise genuine concerns about possible improprieties regarding financial reporting or other matters (the "**CAO Whistle-Blowing Policy**"). The CAO Whistle Blowing Policy has been amended to provide an anonymous channel to the Stakeholders to raise any such concerns to the Company without fear of reprisal. Any such concerns raised will be investigated at the discretion of the Investigating Committee set up under the CAO Whistle-Blowing Policy.

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

Further, CAO has also put in place a Fraud Control Plan and an Enterprise Risk Management Framework and Process. The Fraud Control Plan comprises periodic fraud risk assessments on the Company which is subject to review from time to time. The Enterprise Risk Management Framework and Process ensures that the Company has a structured approach and framework to regularly assess its enterprise-wide risks. Enterprise Risk Assessments are conducted on a regular basis to identify and deliver an inventory of key risks for the Company and to develop a list of key risk indicators that can help the Company monitor and mitigate its key risks.

In addition, other existing policies, internal guidelines and/or processes and procedures have been put in place by the Company and these include the Strategy and Investment Governance Standards & Strategy and Investment Governance Committee, IT Policy & Practice, Jet Fuel Marketing Policy and Safety, Health and Environment Policy.

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

Internal Audit

Principle 13

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

Commentary

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

As internal auditors of the Group, BDO 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 BDO has the adequate resources to perform its functions and has appropriate standing within the Company.

BDO had presented their internal audit plan for 2013 to the Audit Committee. The Audit Committee adopted the internal audit plan for 2013.

The Audit Committee is satisfied that BDO had carried out their function effectively and in accordance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

(E) COMMUNICATION WITH SHAREHOLDERS

Principle 14

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

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 CEO/ED, 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 actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Statement of Corporate Governance

Commentary

During the year 2013 and in line with the CAO Investor Relations Policy, the Company, through the Investor Relations team, the CEO/ED, CFO, Chief Operating Officer and other senior management members, maintain active working relationships with domestic and international brokerage firms, investment banks and the media, regardless of their current views or recommendations on the Group, in an effort to provide a deeper understanding of and insight into the Company's corporate developments and growth strategies as well as its financial performances as well as to enhance the quantity and quality of analysts' research. The Group is committed to providing regular, effective and fair communication with its shareholders and the investment community. These included face-to-face meetings, teleconferences, investor conferences and non-deal roadshows in Shenzhen and London.

The Company reviews an analysts' report for factual accuracy of information that is within the public domain but does not provide focused guidance for analysts' earnings estimates, and will not comment on their conclusions, earnings estimates, or investment recommendations.

As a matter of internal policy, the Company will not deny an analyst or investor access to information on the basis of a negative recommendation or a decision no longer to hold the Company's securities. The Company shall not attempt to influence an analyst to change his or her recommendations by exerting pressure through other business relationships.

The Investor Relations Department will publish and maintain a list on the Company website showing names of analysts and firms providing coverage.

Channels of communication with retail investors were made through email correspondence and telephone calls as well as participation in investor conferences. In March 2013, the Company participated in a corporate profile seminar for retail investors, an investor education programme organised by the Securities Investors Association (Singapore).

As part of our efforts to reach out to our shareholders as well as the investment community, the Company held its first Corporate Access Day in September 2013 ("**CAO Corporate Access Day 2013**"). The purposes of the CAO Corporate Access Day 2013 were to provide our shareholders and the investment community a deeper insight into key facets of CAO's 2020 Corporate Strategy as well as an update on CAO's roadmap as it envisions to becoming a global transportation fuels provider. CAO Corporate Access Day 2013 also included a discourse session on new developments in the oil trading industry facilitated by FACTS Global Energy Group.

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

To assist members of the Board to gain a current understanding of the views of institutional shareholders, the Board receives at each its scheduled quarterly meetings, (i) an investor relations and corporate communications report which cover a wide range of matters including a commentary on the perception of the Company and views expressed by the investment community, media reports, share price performance and analysis, share ownership analysis, highlights of recent investor relation activities; and (ii) a peer companies analysis report which provides a detailed analysis and evaluation on the benchmarking exercise with identified peer companies to provide the Board with a better understanding of CAO's position within the industry as well as identify gaps and learning points.

In addition, the Board adopted the Internal Guidelines on Issuance of Profit Guidance or Profit Warning Announcements which purpose is to allow market expectations to adjust to the likelihood that the Company will either not be living up to an earlier profit guidance or to market expectations, and/or to avoid an earnings shock, negative impact on the share price, sell-off of the Company's shares and/or volatility of trading in the Company's shares, when the financial results are announced.

Conduct of Shareholder Meetings

Principle 16

Companies should encourage greater shareholder participation at general meetings of shareholders and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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

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

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

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

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

Dividend Policy

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

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

(a) the results of operations and cash flow of the Company;

(b) the expected financial performance and working capital needs of the Company;

(c) the future prospects of the Company;

(d) the capital expenditure and other investment plans of the Group; and

(e) general economic and business conditions.

Dealings in the Company's Securities

In line with the recommended best practices on dealings in securities set out under Rule 1207(19) of the SGX-ST Listing Manual, the Company has issued a directive to all employees and directors not to deal in the Company's securities on short-term considerations and to abstain from dealing with the Company's securities for a period commencing two weeks before the announcement of the results of the first three quarters and one month before the announcement of the full year results and ending on the date of the announcement of the relevant results.

Interested Person Transactions

Shareholders have approved the renewal of the general mandate for interested person transactions of the Group on 25 April 2013 ("**IPT Mandate**"). The IPT Mandate sets out the levels and procedures to obtain approval for such transactions. Information regarding the IPT Mandate is available on the Company's website at www.caosco.com. All business units are required to be familiar with the IPT Mandate and report any such transactions to the Finance Department. The Finance Department keeps a register of the Group's interested person transactions. Information on interested person transactions for 2013 is found under "Supplementary Information" on page 147.

Statement of Corporate Governance

Review of System of Internal Controls

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

During the last quarter of 2013, the Company engaged BDO to conduct a follow-up review of the Company's system of internal controls ("**Review of System of Internal Controls**"). Upon completion of the Follow-Up Review of System of Internal Controls, BDO had concluded that the Company generally conforms to Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") Internal Controls Integrated Framework. Risks identified (none of which were rated as high risk) are highlighted in the Risk Assessment section in its report. No other exceptions were noted with respect to internal controls and countermeasures reviewed in the scope of the engagement. However, BDO had recommended several areas of improvement so as to fully conform to the requirements under the COSO internal controls framework. Accordingly, Management had carefully considered these recommendations from BDO and had taken the necessary actions to implement the same as appropriate.

Appendix

(1) Details of the CAO Share Option Scheme

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

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

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

(i) a price equal to the last dealt price of the Shares as at the close of trading on the Offer Date of the Option, as determined by reference to the website of the SGX-ST, rounded up to the nearest whole cent in the event of fractional prices; or

(ii) a price (the "**Market Price**") equal to the average of the last dealt prices for a Share, as determined by reference to the local English newspapers, the Business Times or other publication published by the SGX-ST for the five (5) consecutive trading days immediately preceding the Offer Date of that Option, rounded up to the nearest whole cent in the event of fractional prices; or

(iii) a price which is set at a discount to the Market Price, provided that:

   (1) the maximum discount shall not exceed 20% of the Market Price; and

   (2) the Shareholders of the Company in an AGM or EGM shall have authorised the making of offers and grants of Options under this Scheme at a discount not exceeding the maximum discount as aforesaid in a separate resolution,

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

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

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

The options granted to Directors and employees (other than to senior executives of the Company who are secondees of the parent company, CNAF (the "**CNAF Secondees**") are subject to the following vesting conditions:

(a) up to a maximum of one-third of the number of option shares shall be exercisable in the period from the day after the second anniversary of the Offer Date to the third anniversary of the Offer Date;

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

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

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

(a) up to a maximum of one-third of 80% of the number of option shares shall be exercisable in the period from the day after the second anniversary of the Offer Date to the third anniversary of the Offer Date;

(b) up to a maximum of one-third of 80% of the number of option shares, and any number of option shares in respect of which the option has not been exercised under paragraph (a), shall be exercisable in the period from the day after the third anniversary of the Offer Date to the fourth anniversary of the Offer Date; and

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

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

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

(a) if the holder of vested options being a non-executive director, is or remains as a director of the Company, or if the holder of vested options being an employee, is or remains in full-time employment with the Company;

(b) achievement of pre-determined target set for key performance indicators on (i) market capitalisation, (ii) net profit after tax, and (iii) return on equity; and

(c) achievement of individual performance targets set by the Company or by its immediate holding company for executives of the Company.

Statement of Corporate Governance

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

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

(2) Charter of Lead Independent Director

The Company shall have a Lead Independent Director who shall be an independent director as defined under the 2012 Code.

Purpose

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

Duties and Responsibilities

In addition to the duties of Board members as set forth in the 2012 Code, the specific duties and responsibilities of the Lead Independent Director shall be as follows:

Function as Principal Liaison with the Chairman and Senior Management

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

Call Meetings of Independent Directors

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

Preside at Meetings

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

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

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

Initiate Actions to Address any Concerns on Corporate Compliance Matters

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

Function as Principal Liaison in Shareholder Communication

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

Risk Management

2013 was a year of significant milestones for the CAO Group. We witnessed the official commencement of the operations of associated company, Oilhub Korea Yeosu Co., Ltd ("OKYC"), the completion of integration of two wholly owned subsidiaries, China Aviation Oil (Hong Kong) Company Limited ("CAOHK") and North American Fuel Corporation ("NAFCO") acquired in 2012, as well as the establishment of a new wholly owned subsidiary in the United Kingdom, China Aviation Oil (Europe) Limited ("CAO Europe"), thereby bringing the CAO Group closer to its strategic goal of establishing a global trading network.

With the international situation still beset with risks such as political uncertainty in the Korean Peninsula, delay in recalibrating the US debt ceiling, recession in the Eurozone and the slowdown in the economic growth of China, we have to rely on robust and effective risk management measures and processes to ensure our supply and trading businesses overcome various challenges with minimal financial impact. In the process of integrating a Group-wide risk management culture, we have enhanced our risk management techniques, information systems and human resources to lay a solid foundation for business growth.

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

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

Our three-tier management and control structure has ensured sound governance and rigorous oversight over the execution of effective risk management practices for the Group (see Management Control Structure chart).

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

At the Management level, the Company Risk Meeting ("CRM") plans and implements risk management activities to control risks such as market, credit, operational, enterprise, compliance and reputational risks. The CRM operates within the delegated authority set at the RMC level. The CRM is chaired by the Head of Risk Management, who functionally reports to the CEO with an independent direct reporting line to the RMC.

At the operational level, the Risk Management Department ensures that risk management activities are executed daily and that all risk-related policies, processes and limits are implemented and adhered to. The risk management team has built up a wealth of experience in credit, market and enterprise risk management over the past six years as it grew in step to support the Group's expanding business agenda. Through continuous training, self-improvement and cross-training, the team has either obtained or is working towards securing professional certification such as Energy Risk Professional and Financial Risk Manager conferred by the Global Association of Risk Professionals.

INTEGRATION OF RISK MANAGEMENT CULTURE

As the Group expands its operations globally, initiatives to spread risk management visibility and accountability as well as integrating the Group's risk management culture across the Group had been our key priorities to ensure sustainability of our business operations. The continuous cultivation of risk management resources, improvement in risk management communication and training and the formalisation of standard operating procedures are the pillars of the Group's risk management culture. We have further leveraged on our new Enterprise Risk Management ("ERM") framework to consolidate and prioritise the risks in the Group's Risk Register to establish a rigorous and solid foundation for our businesses.

In the area of risk management staffing and training, we continued to ensure our risk personnel proficiency in subsidiaries through two avenues – local hires with adequate risk training from the head office or place the appropriate risk professionals from head office. Moving forward, all fully owned subsidiaries will have risk specialists looking after the company's risk portfolio, with a reporting line to the group risk management team. In addition, CAO's risk management team has evolved to include a specialised credit risk management function with credit specialists looking after the Group's credit portfolios.

In terms of managing the risks of our investments, we have incorporated two processes – risk analyses and mitigation via the Enterprise Risk Register of our ERM process and the Post Implementation Review process. With these processes in place, we have constant oversight, in addition to board representations in our investee entities such as SPIA, TSN-PEKCL, OKYC and Xinyuan.

Risk Management

ENHANCEMENT OF RISK TECHNIQUES

In tandem with the Group's business expansion, we also enhanced our risk management techniques to provide a more efficient risk framework for our growth.

In terms of market risk, we have developed a suite of standardised stress tests and the Marginal Value at Risk ("Marginal VaR") matrix. The suite of standardised stress tests consists of seven black swan scenarios, which may have a significant impact on CAO's businesses. Through monthly stress testing, the risk management department has provided CAO management with an additional layer of scrutiny under extreme situations and to take the necessary preventive steps, if required. On the other hand, Marginal VaR indicates the additional amount of risk that a new investment position adds to a portfolio, allowing the traders and risk management manager to understand the effects of adding or subtracting positions from an investment/trading portfolio. Through the development and application of this technology, we not only improve our understanding of market sensitive positions in our trading portfolio but also provide a decision-making support tool for our front office.

In terms of credit risk management, we have further enhanced our controls by systematically identifying, monitoring, reviewing and controlling our overall exposure to credit risk with regard to a particular counterparty, product, industry or geographic location (Credit Concentration Risk), thereby enabling the Group to better address concerns on any possible over exposure to certain industry, market or geographical location. To measure credit risk more appropriately, we have incorporated the concept of Potential Future Exposures which will provide the Group with a better measurement of the credit exposure and the kind of credit impact a certain fixed price transaction may have on the Group during that transaction's life span. With this enhanced measurement, the Group will be able to take the correct necessary mitigation steps.

In terms of operation risk, we have strengthened our ERM framework. For investment projects and new activities, we have implemented the Post Implementation Review process. As a continuation of last year's effort in crisis management, we conducted desk-top crisis management exercises covering several scenarios that could have significant impact on our operations. As the company continues to expand its global footprint, we have taken the pre-emptive steps to strengthen our foreign exchange management and formulate a comprehensive foreign exchange policy to manage foreign exchange exposures.

In terms of liquidity risk, we have continued to expand our sources of fundings and improve our cashflow management through weekly forecasts. In addition, we have established a comprehensive process to evaluate the capital and liquidity requirements for new products, activities and investments. The process has enabled the Group to set the appropriate working capital limits and tenor limits for our trading books.

Our risk management approach, which emphasises on having a quantifiable basis, has been recognised by the State-owned Assets Supervision and Administration Commission of China ("SASAC"). By an invitation from SASAC, we presented the risk management processes of CAO to SASAC's stable of companies at SASAC's annual risk management conference held in August 2013. Such affirmation reflects our ongoing efforts to leverage on risk management as one of the key engines of growth for the Group.

ENHANCEMENT OF RISK INFORMATION

In the quantitative management of major risks, CAO relies on a strong and effective information system, with timely and accurate assessment of market risk, quantifiable exposure ("Volumetric Exposure"), credit exposure, accounts receivable and so forth. To meet the increasing challenges of the Group's expansion globally, we invested substantially in talent and financial resources in 2013, to upgrade the original Enterprise Trading & Risk Management system to a more reliable and efficient new system. The main advantages of the new system are:

1) support trading operations and risk management of multiple locations with a wider suite of products and users, while having the capability to do financial and risk reporting in different locations and time-zones.
2) support direct interface with exchange traded information. This is important given the growing volume of transactions and will ensure a more timely and accurate transaction data input system.
3) handle the rapid growth of trade data across the regions and computing needs to meet the timely requirements of valuation and risk reporting.

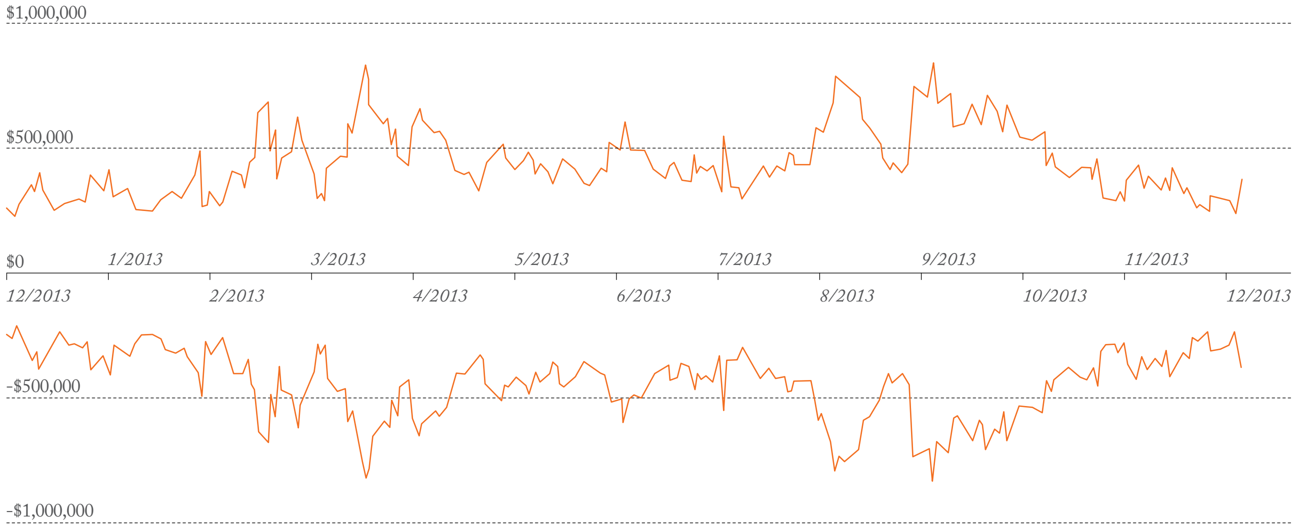
ENHANCEMENT OF THE INFORMATION SYSTEM

Although our Group's growth agenda has been progressive and fairly aggressive, our risk appetite remains cautious and measured. This was evident from our fairly low portfolio daily VaR utilization rate in 2013 which ranged from US$250,000 to US$800,000 (refer to 2013 MVaR Utilisation chart).

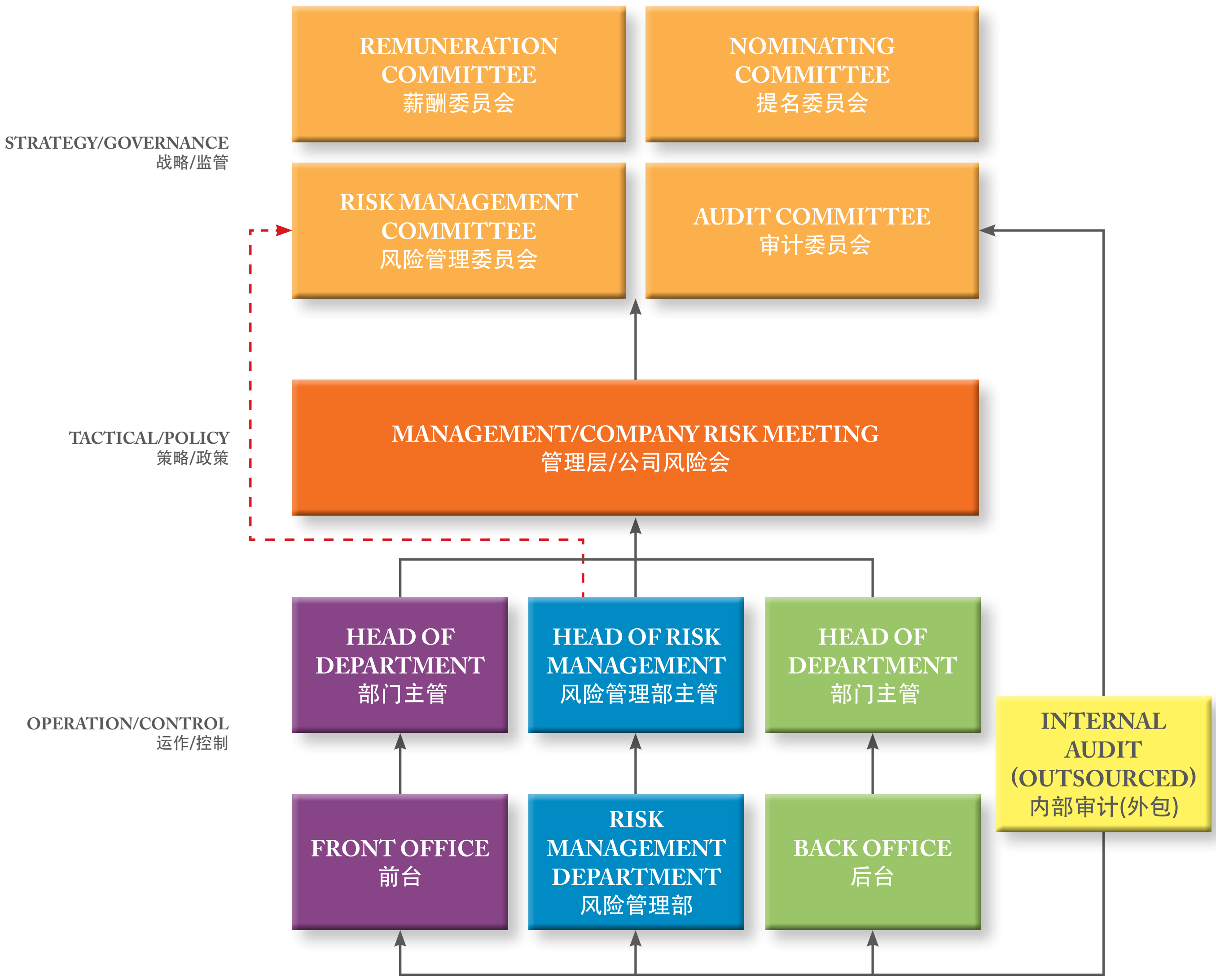
Following the successful implementation of various initiatives in 2013, we have further strengthened and expanded our risk management techniques and risk management information systems. We have fostered a risk management culture where responsibility and accountability for risk management permeates across the entire Group. Through a centralised, systematic and integrated approach to risk identification, assessment, management and control, the Group is well equipped to deal with risk-related challenges that it may face in future businesses and investments as it strives to pursue its strategic goal to become a global player in the transportation fuels industry.

Risk Management 风险管理

2013 MVaR UTILISATION
2013年全年市场风险值使用情况



ROBUST MANAGEMENT CONTROL STRUCTURE
严谨的管理控制架构



风险管理

2013年对CAO集团是里程碑式的一年，我们所投资的OKYC正式投入运营、完成了子公司中国航油（香港）有限公司（“香港公司”）和北美航油有限公司（“北美公司”）的整合，也在英国设立了CAO的全新子公司中国航油（欧洲）有限公司（“欧洲公司”），CAO集团朝着构建全球化贸易网络的战略目标又迈进了一步。

随着国际形势依旧变化莫测，朝鲜半岛数次剑拔弩张、美国的借贷上限几陷僵局、欧洲和日本振兴乏力以及中国经济增速放缓，我们唯有依靠稳健、有效的风险管理措施和流程，使我们的供应与贸易业务迎接挑战、克服艰险。通过推广全员管理的风险管理文化，公司风险管理技术、风险管理信息系统和风险管理人力都得到加强，为公司业务发展奠定了坚实的基础。

我们的风险管理基础持续建立在三个主要支柱上：

1) 三重管理和控制架构；
2) 政策、指导方针和控制架构；以及
3) 系统、流程和人员。

三重管理和控制架构对CAO风险管理措施的执行进行有效管理和严格监控（参考管理控制架构图）。

在董事会层面，风险管理委员会负责监管战略风险管理问题。风险管理委员会设定各种风险类型的限额，并且审批CAO计划开展的新业务。风险管理委员会通过月报和季度会议审查各种风险矩阵，这些矩阵反映了CAO各类风险敞口和可管理性指标，以有效监督公司风险管理情况。

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

在运作层面，风险管理部负责日常风险管理业务的执行，并确保所有与风险相关的政策、流程和限额得到遵守和落实。风险管理团队通过六年多的建设，在信用、市场、企业风险的管控方面积累了宝贵的经验，适应了公司业务拓展的需要。风险管理团队的成员通过不断培训和自我进修，已经获取或正在获取相关专业资质，如全球风险管理专业人士协会所认证的能源风险专业证书和金融风险管理师。

Phone Trading System
电话交易系统

风险管理文化的融合

随着CAO集团的全球拓展，我们的工作重点是加强风险管理可预见性和可信度，以及在集团内风险管理文化的融合，以确保公司业务持续增长。通过不断培养风险管理方面的专才、加强风险管理的交流与培训、规范业务运作的流程，我们夯实了CAO集团范围的风险管理文化。我们也进一步地应用新的企业风险管理(“ERM”)构架来统筹管理各成员企业的风险因素，使公司的各项业务建立在一个可靠的风险管理基础之上。

在风险管理专业人员的配备和培训上，我们主要通过两个办法来保障子公司在风险管理方面的人力资源：一是就地招聘、集团培训；二是由CAO集团培养和输出具备风险管理专业技能的人员。通过这种实践，在我们所有全资子公司都有专职的风险管理人员来管理公司风险，并向总部的风险管理团队报告。此外，在我们的风险管理团队中已建立了专职的信用风险管理模块，信用风险管理方面的专家会管理整个集团范围的信用结构。

在对联营公司的管理过程中，我们集成了两种管理方式——通过ERM的企业风险注册表进行风险分析，以及推行项目实施后评估。通过这些管理方式，我们实现了对联营公司的持续关注，而不仅仅是由董事会代表出席关联公司如浦东航油、管输公司、OKYC和新源公司董事会会议来管理。

风险管理技术的提升

在公司业务不断扩展的同时，我们着眼于不断地加强CAO的风险管理技术，使我们有一个更加强有力的管理能力来支持我们的增长。

在市场风险方面，我们在2013年开发了一套规范的压力测试流程，并开发了边际风险值矩阵。由七个被称作黑天鹅的极端场景组成的标准测试配套模板，涵盖了可能会对CAO集团业务会产生重大影响的历史事件和虚拟场景；通过每个月的压力测试，风险管理部能够为管理层提供一个良好的对极端情况的预测，使我们在必要的情况下，可以采取相应的防范措施。另一方面，边际风险值显示了增加新的持仓所带来的额外风险，使贸易员和风险管理经理

风险管理

CAO employees participating in a business continuity planning exercise
CAO 业务持续计划演习

了解在投资或贸易的整体持仓中，增加或减少盘位所带来的影响。通过这项技术的开发和应用，不仅提高了对持仓结构所具有的市场敏感性的了解，也给前台贸易员提供了一个非常好的决策支持工具。

在信用风险方面，我们通过系统化识别、跟踪、回顾和管理我们某个对家、某种产品、某一产业和国家的整体信用曝险（信用集中化风险）来夯实我们的管控，确保集团不致在某个产业、市场或国家有过度曝险。我们通过应用潜在远期敞口（"PFE"）来更确切地衡量风险大小，集团就能更好地衡量信用风险，以及一个固定价格的交易在其整个交易生命周期中可能带来的对信用风险的影响。有了这种强化评估方法，为集团能够在必要的时候采取适当的风险减缓措施提供了前提条件。

在运作风险方面，我们强化了ERM管理构架。针对新的投资项目与业务，我们设立了项目实施后评估流程。作为前一年危机管理活动的延续，我们对可能给公司运营带来显著影响的几个场景，进行了桌面危机管理演习。随着公司业务全球化的进展，我们也采取了防范性举措来加强外汇管理，并形成了一个完整的外汇管理政策来管理汇率风险。

在流动性风险方面，一方面继续扩大与分散来自银行的信贷资源，通过每周的资金使用预测来防范财务流动性风险；另一方面，设立了完备的审核流程，来评估新产品、新业务和投资活动对资金和流动性的需求。这项审核流程有助于我们为不同的贸易账户设定合理资金限额以及合同的最长期限。

我们在风险管理的过程中充分应用了数量化的分析技术，这种实践也得到中国管理机构国资委的认可。在2013年8月，国资委邀请我们在其年度风险管理交流会上向国资委控股企业介绍风险管理流程。国资委的认可反映了我们在风险管理方面的不懈努力是集团发展的主要动力之一。

风险管理信息系统的建设

CAO在主要风险的量化管理上，主要依托于一个强有力的专业信息系统，使我们能够及时、准确地评估市场风险值、量化敞口、信用敞口、应收账款等重要的数据。为了迎接CAO向全球化拓展的挑战，我们在2013年投入大量的人力和财力，建立起比原有的企业贸易与风险管理系统更为可靠和高效的新系统。新系统的主要优势在于：

1） 支持全球化、多地点的贸易运作与风险管理；能够适应更多产品、更多用户的需求，同时能够保存不同时间点的风险估值结果；
2） 能够自动导入交易所的交易信息；这在交易数量不断增多的环境下显得更为重要，也保证了交易数据更为及时准确地输入系统；
3） 可以应对迅速增长的贸易数据与计算需求；自动过滤已经完全结束的交易，并且满足及时获得风险估值结果的预期。

信息系统功能提升

尽管集团的发展是快速和积极的，我们始终秉承着审慎与可控的风险偏好。这可以通过公司整体的日风险值使用情况清楚地体现，在2013年我们的风险值使用在相对较低的25万美元到80万美元的范围之内（参考2013年全年市场风险值使用情况）。

通过2013年各项工作的成功完成，我们加强并拓展了风险管理技术和风险管理信息系统。我们培养了集团内负责和可靠的风险管理文化。通过集中化、系统化和一体化的风险识别、评估、管理和控制措施，集团有能力应对未来业务和投资中的风险相关挑战，努力实现成为全球运输燃料一体化方案提供商的战略目标。

Audit & Internal Control 审计与内部控制

CAO Internal Control Framework and System is benchmarked against an internationally recognized framework – the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"). Consisting of a set of policies, procedures and organisational structures and working committees aimed at identifying, managing and monitoring major risks of the CAO Group, the COSO framework is fully integrated within the company and adopted as part of the Group's corporate governance framework. The framework contributes towards the safeguarding of corporate assets, ensuring effectiveness and efficiency of operations, reliability and integrity of financial and operational information reporting and compliance with applicable laws and regulations

THREE LINES OF CONTROL

To embed the internal control framework and system into the business, CAO adopted a 'Three Lines of Control Model' in its corporate governance structure and daily operations.

The 1st line of control comprise the policies/procedures, controls and monitoring activities that CAO has in place to deal with its day-to-day business. The 2nd line of control consist of the committees and functions that are in place to provide an oversight of the effective operation of the internal control framework and the 3rd line of control involves the independent assurance provided by the internal audit and external audit functions.

Overall, the Board and its four main committees and Senior Management have collective responsibility and accountability for setting the company's objectives, defining strategies to achieve these objectives and establishing governance structures and processes to best manage the risks in accomplishing objectives.

In 2013, a dedicated Audit & Internal Control function was put in place within the Group with the overarching mission of establishing and implementing the Internal Control Framework and System.

During the year, CAO held a series of strategy workshops and team building events to formulate CAO's long term 2014-2020 roadmap where CAO management and leadership team further identified and assessed potential risks which may threaten the achievement of established targets and objectives.

On a regular basis, CAO conducts Enterprise Risk Review exercises to capture and assess new risks & to identify and implement mitigation actions. Policies & control processes were then developed or revised where appropriate to manage these risks.

Regular internal control monitoring & audits were carried out throughout 2013 including quarterly internal audit reviews & Annual System of Internal Control review by internal auditors, Financial Statements audits by external auditors and Internal Control Self Assessments review.

CAO employees at an off-site crisis management training session
CAO 员工参加危机管理培训

CAO内部控制框架和体系的基准是国际公认的COSO (全美反舞弊性财务报告委员会发起组织）框架。该体系由一套政策、程序、组织结构和工作委员会组成，旨在识别、管理和监控CAO集团的重大风险。现在COSO系统已经很好地融入公司结构，并成为公司治理框架的组成部分。此框架有助于保护企业资产，确保经营的效益和效率以及财务和运营信息报告的可靠性和完整性，且保证相关法律法规的合规性。

三重控制

为了将内部控制框架和体系嵌入业务中，公司在公司治理结构及日常运作中采取“三重控制模式”。

第一重控制是本组织为应对日常经营而实行的各项政策/规程、控制及监控活动；第二重控制是为监督内部控制体系有效运行而设立的各委员会和职能部门；第三重控制是内部审计和外部审计部门提供的独立保证。

总体而言，由四个董事委员会组成的董事会和公司高级管理层负责设定公司目标，确定实现这些目标的战略，建立治理结构和流程， 以便通过适当的风险管理确保目标的实现。

2013年，CAO集团成立了一个新的部门——审计与内控，部门的职责是建立和实施上述内部控制框架和系统。

2013年，CAO完成下列内部控制活动：

2013年，CAO举行了一系列战略研讨会和团队建设活动，制定集团2014-2020年长期发展路线图，也清晰地列出各业务板块及职能部门的路线图，相应设定关键业绩指标。

在研讨会上，CAO管理层和主管们也进一步确认和评估实现这些目标所面临的风险和挑战。

CAO定期进行企业风险评估工作，以捕捉和评估新风险，并确定和实施风险减缓措施。如有必要，公司会拟定或更新政策和控制流程，以更好地管理风险。

2013年，公司定期开展内部控制监控与审计活动，包括通过内部审计师进行季度内审和年度内控系统评估工作，通过外部审计师进行财务报表审核以及内部控制的自我评估审查。

Our Human Capital

CAO Group has a total headcount of 92 employees, of which 77 are based in Singapore. With an equal diversity of gender within the Group, CAO provides fair opportunities for all employees to excel and grow with the Company.

As we expand internationally, the ability to retain our people and equip them with the required skillsets become of paramount importance to CAO. This is why the Company is committed to maintaining a robust human resource framework to ensure that our people have rewarding careers with us.

TRAINING & CAREER DEVELOPMENT

In 2013, we reviewed the performance appraisal system to ensure that the core competencies of our employees are aligned with our business requirements. Built on a comprehensive career development framework, employees can pursue their chosen career path and grow with the company. Apart from choosing to grow their careers vertically, employees can now choose to move laterally across functions.

All new employees are required to undergo a comprehensive departmental orientation program to familiarise themselves with the Group's vision, mission and corporate identity, as well as the operations of various departments and CAO's corporate policies.

Apart from regular external and internal training sessions to keep employees abreast of the latest knowledge and skills, CAO introduced "Lunch & Learn" sessions as an alternative source of learning for employees to enable cross-functional learning. In 2013, these sessions were conducted by the Trading, Risk Management, Operations and the Finance departments. The sessions were well received, enhanced communication between departments and improved work efficiencies.

'Job rotation' was introduced to provide greater work exposure and to develop employees beyond their departments. Selected employees were seconded to host departments for a period of time for training & development and upon completion, he/she is trained to assume the role of the department or be in charge of relevant departments of our subsidiaries when opportunity arises.

CAO employees putting their heads together for teambuilding exercises
CAO 员工积极参与团队建设活动

ENGAGING OUR PEOPLE

In addition to career development opportunities, providing training and work exposures, CAO continues to build and nurture our corporate culture by engaging employees through a series of communication activities and programmes.

'Healthy lunch' was introduced and departments rotate to prepare healthy lunch for all in the company. This is an interesting activity which involved team building and inter-department team work and communication. In line with the national campaign 'Dine with Family', we encouraged employees to spend more time dining with their families. A CAO Family Day was also organised for employees' families to visit the office and spend a day with CAO employees on a healthy workout.

At the 2013 Team Building day, the 2020 Corporate Strategy was further discussed and a new slogan to suit the 2020 strategy – FUEL FOR FUTURE was created by CAO employees such that together with team spirit, all CAO employees are committed to fuel the future towards 2020!

PROTECTING THE PRIVACY AND PERSONAL DATA OF OUR EMPLOYEES

To protect the personal data of our employees, CAO makes every effort to ensure that the personal data of all its employees continue to be adequately protected. Only with the concurrence from employees or on their authorisation will personal data (including sensitive personal data such as medical details) be shared in connection with their employment or the business of the Group.

CODE OF ETHICS

All CAO employees are governed by the Company's Code of Ethics and expected to adhere to acceptable business principles in matters of conduct, exhibiting a high degree of integrity at all times. CAO's Code of Ethics not only involves sincere respect for the rights and feelings of others, but also demands that employees refrain from any behaviour that might be harmful to themselves, co-workers or the Company.

An elaborate code that covers workplace harassment, confidentiality, abuse of position, use of company property, receipt of gifts from third parties amid other guidelines, CAO's Code of Ethics seeks to ensure favourable staff conduct to adequately reflect the corporate image of the Company, ensure fair and equitable treatment to all employees, and encourages staff to observe the highest standards of professionalism at all times.

我们的团队

CAO employees dragon boat rowing at Marina Bay
CAO 员工在滨海湾划龙舟

CAO集团共有92名员工，其中77名在新加坡工作。集团内男女员工比例均衡，并为所有员工提供平等机会，与公司一起发展和进步。

在集团全球化的过程中，留住人才并为他们提供必备的技能培训对CAO至关重要。因此集团致力于建立并维护有效的人力资源框架，确保员工在CAO的工作得到合理的回报。

培训和职业发展

2013年，我们审核了现有的绩效考核体系，以确保员工的核心竞争力匹配集团的业务需求。在全面的职业发展框架的指引下，员工能够追求自身的事业志向，和公司一同成长。除了事业的纵向发展，员工现在也能够拥有选择跨部门调换的机会。

我们要求所有新员工参加部门入职培训项目，以熟悉公司愿景和使命以及企业标识、各部门运营情况和公司政策。

CAO有常规的内外部培训，使员工了解最新的知识和技能，同时公司增设了“午餐学习”时段，给员工提供跨部门学习的机会。2013年，贸易部、风险管理部、运作部和财务部分别主持了此项学习时段。员工对此学习方式反应很好，不仅加强了部门间沟通，也提高了工作效率。

公司也设立了“岗位轮换”制度，使员工能够了解其他部门的工作，进行跨部门发展。选拔出来的员工将会被委派到其他部门进行一段时间的培训，培训期满后视发展机会，该员工可申请到该部门任职或负责子公司相关部门的工作。

增加员工参与度

除了职业发展机会、提供培训和跨部门发展，CAO也持续打造企业文化，通过一系列公司活动加强员工参与度和凝聚力。

各部门轮流举办“健康午餐”，为公司所有员工准备健康的午餐。这项有趣的活动涵盖了团队建设、部门协作和沟通交流多项功能。为了响应新加坡全国性的“与家人共餐”活动，我们鼓励员工抽更多时间陪家人聚餐。因此，我们组织了“CAO家庭日”活动，员工的家人可以参观办公室并和CAO的员工们一起度过美好的一天。

在2013年的年度团队建设活动中，员工们进一步讨论了2020年战略，并群策群力制定了“为明天加油”这一新的公司口号，代表充满团队精神的CAO员工将会为明天加油奋斗，奔向2020年战略目标！

个人数据保护

CAO致力于确保所有员工的个人资料得到充分保护。只有在员工许可或授权的前提下，才能在有关员工的聘任或公司业务所需的情况下分享其个人资料（包括如医疗病例等敏感的个人信息）。

道德准则

CAO所有员工需遵守公司的道德准则，且行为需符合商业准则，在任何时候保有高度的诚信。CAO的道德准则不仅包括尊重他人的权利和感受，也要求员工不做任何有损自身、同事或公司的行为。CAO道德准则内容详尽，涵盖工作场所骚扰、保密、滥用职权、挪用公司财产、接收第三方礼物等规定，确保良好的员工行为以充分反映公司的企业形象，确保公平公正地对待所有员工，并鼓励员工随时保持高水准的职业操守。

Corporate Social Responsibility

As a good corporate citizen, CAO is committed to doing things responsibly in the communities we operate in. To be a socially responsible company is part of CAO's corporate mission. The concept of "Paying it forward" has been ingrained into the CAO corporate culture with a focus on children, new immigrants and the environment. 2013 saw the Group participating in various Corporate Social Responsibilities ("CSR") activities as it continues to contribute to society in meaningful ways.

CARE FOR CHILDREN

CAO's Care for Children CSR initiatives saw the Group continuing its collaboration with Singapore's Beyond Social Services' pre-school facility – Healthy Start Child Development Centre ("HSCDC") to support and care for underprivileged pre-schoolers in Singapore's Bukit Merah and Redhill heartlands. A collaboration that was formed in 2010, CAO supports HSCDC's objectives to help children in need pick up life-skills by availing them with social and educational opportunities.

In 2013, CAO participated and organised two volunteer activities with HSCDC to bring joy to underprivileged children. One activity was a trip to the S.E.A. Aquarium with the children from HSCDC, led and fully-funded by CAO. The visit to South East Asia's largest aquarium was a resounding success, cultivating the children's interest in the underwater world and enriched their knowledge about marine life. In another activity, CAO volunteers led a group of pre-schoolers to visit the River Safari, a river-themed wildlife park to visit giant pandas Kai Kai and Jia Jia and have fun at the Otter-ly Amazing Amazon workshop to learn about the watery world of river otters. These interactive activities helped to engage the children's interest in the animal habitats around them and at the same time, nurtured their creativity. CAO's efforts to help children in need will continue with more meaningful activities planned in the pipeline.

The Library Project

2013 is the second year of cooperation between CAO and the Library Project, an initiative to donate new reading books to under-privileged schools in China. During the year, CAO volunteers headed to the Maguan County of Yunnan, China and set up libraries and reading corners for four under-funded elementary schools in one of the most remote and mountainous areas in China. In total, over 3,000 books for children and teachers were delivered and with them, respectable teaching materials and collaterals as well as book shelves put together by CAO volunteers themselves were installed. An initiative that took CAO volunteers a week to complete, the project also saw CAO volunteers introducing Singapore culture to Chinese students at the same time.

NEW IMMIGRANTS

The CAO-Tian Fu Bursary Fund ("the Fund") was established with an aim to support the educational needs of Singapore's new immigrants. Specifically, CAO endeavours to provide assistance to lower-skilled and lower-income immigrants in skills enhancement and upgrading in order to heighten their employability.

On 24 Nov 2013, the Fund granted bursary awards to 55 children of new immigrants, providing educational support to academically excellent students from lower-income families, to encourage and support their educational needs.

ENVIRONMENT

CAO is committed to various green initiatives and is doing its part to protect the environment. 2013 marked 50 years of greening Singapore, and as part of the Company's objective to improve the communities it operates in, CAO's volunteers participated in tree-planting and conservation at the Sungei Buloh Wetland Reserve, in collaboration with the National Parks Board of Singapore, with the hope that the planted young saplings conserve and help to sustain the wildlife habitat in urban Singapore.

It is CAO's aim to continue its good works to society even as it continues to grow as an international corporation. Apart from contributing manpower and material resources to the causes it holds dear, CAO has proliferated the concept of CSR across its daily operations as well, to ingrain the concept of paying it forward in the hearts and minds of CAO employees to encourage spontaneous individual contribution to both society and the environment.

Doing handiwork with HSCDC children
与 HSCDC 儿童一起做手工

Bonding with children from HSCDC
与 HSCDC 的小朋友郊游

企业社会责任

Tree-planting at Sungei Buloh Wetland Reserve
在双溪布洛沼泽保护区植树

身为优秀的企业公民，CAO一直致力于履行社会责任。回馈社会是CAO企业愿景的组成部分之一。“传递爱心”的概念已深植于CAO的企业文化，并专注在儿童、新移民和环保方面。2013年我们继续参与各项企业社会责任活动，有机制地回馈社会。

关爱儿童

在儿童相关慈善事业方面，公司自2010年开始与新加坡本地慈善组织彼岸社会服务通过其社会服务下属的健康起点儿童发展中心（“HSCDC”）合作，将支持与关爱传送到了新加坡武吉美拉和红山社区来自不同背景的学前儿童手中。与该中心的合作开始于2010年，旨在帮助弱势儿童掌握生活技能，并为他们提供社会机会和教育机会。

2013年，CAO分别与HSCDC组织了两次志愿者活动。一次是由员工志愿者团队带领HSCDC的小朋友赴水族馆郊游，通过参观世界最大的水族馆，培养小朋友对海底世界的兴趣，增长他们的海洋生物知识。另一次则是员工志愿者带领学前儿童到河川动物园这个以河川为主题的野生动物园，一起去大熊猫森林问候大熊猫凯凯和嘉嘉，通过精彩的水獭亚马逊讲习班了解水獭赖以生活的水世界。这些互动活动有助于启发小朋友们对身边动物习性的兴趣，也能够培养他们的创造力。CAO将继续计划更多有意义的活动，努力帮助有需要的儿童。

图书馆计划

2013年是CAO与“图书馆计划”合作的第二年，致力于向中国贫困山区小学捐赠新书。在这一年里，CAO的员工志愿者深入云南马关县，向中国偏远山区的四所小学捐献图书室/图书角，共计捐赠儿童和教师读物3000多册，志愿者和小学生们一起搭建书架并摆放图书和教学材料。CAO志愿者用一周的时间完成此次捐赠，过程中也向当地的孩子们介绍了新加坡的文化。

新移民

公司与天府会成立“中国航油－天府会助学金”，旨在帮助新移民的教育需求。具体来说，设立这项助学金的主要目的是为新加坡本地新移民的儿童提供助学金，以及帮助低技能和低收入的新移民提升技能以加强其就业能力。

2013年11月24日，中国航油-天府会共计为55名新移民子女颁发了奖助学金，公司得以向这些家庭困难和成绩优异的学子进行资金援助，鼓励他们继续勤奋学习。

保护环境

在环保方面，CAO投身于各项环保活动，为保护地球贡献一份力量。2013年是新加坡绿化50周年，公司秉承改善社区的理念，响应新加坡国家公园的号召，组织全体员工参加植树活动，为环保事业做出贡献。2013年7月，通过与新加坡国家公园局合作，CAO组织全体员工参加双溪布洛沼泽保护区的植树活动，让员工亲身实践。只需种下一株小树苗，不仅可以绿化环境，还可以保护新加坡野生动物的栖息地。

随着公司发展成为全球性的企业，CAO将一如继往秉持回馈社会的原则。在未来，除了继续投入人力、物力资源推进企业社会责任计划，也努力将企业社会责任融入公司的日常运营当中，通过内部沟通和定期组织员工活动，使公司的企业社会责任计划和目标深入人心，使员工们主动自发地为社会及地球贡献一份力量。

Investor Relations

Guided by our core corporate values of Fairness, Integrity, Innovation and Transparency, CAO's investor relations efforts continued to centre on the quality of its corporate disclosures and proactive communication with the investment community. Led by its conviction to maintain high standards of corporate transparency and fair disclosure, CAO is committed to communicating regularly with shareholders, investors, analysts and the media to provide timely and regular updates on its financial performance and corporate activities.

2013 saw CAO stepped up on the level of its investor relations and communications engagements. During the year, one-on-one meetings, teleconferences, investor conferences and roadshows were frequently conducted to communicate CAO's financial performance, corporate developments and growth strategies to both existing and potential investors. A Corporate Access Day was organised for the investment community in September to share the Group's 2020 Vision and strategic roadmap. Senior Management of CAO were on hand to interact actively with the investment community with an expert from an oil and gas consultancy firm invited to share new developments in the oil industry. To broaden the Group's investor base, Senior Management of CAO interacts frequently with the investment community and undertook non-deal international roadshows and participated in various forums to further engage both institutional and retail investors. The Group provides regular corporate updates though news releases and conducts media and analyst briefings after the announcements of the Group's financial results.

Apart from disclosures via the Singapore Exchange's website, CAO's investor relations website also serves as an important source of information for the investment community. An avenue where market sensitive news are promptly posted and disseminated to the public and investment community, the website also provides comprehensive company information, financial reports and the contact details of CAO's investor relations team who may be reached at ir@caosco.com.

Our proactive investor relations approach and commitment to corporate transparency gained due recognition by the investing community in 2013. CAO was presented the "Corporate Governance Award" (runner-up in the Mid Cap category) at the 14th Securities Investors Association Investors' Choice Awards held in November 2013. CAO also won the accolade as Runner-up (Oil and Gas category) for the Most Transparent Company Award for the fourth consecutive year at the SIAS' Investors' Choice Awards. In the 2013 Governance and Transparency Index published by Singapore's Business Times and the Corporate Governance & Financial Reporting Centre of the National University of Singapore, CAO was ranked 36th out of 664 companies listed on the Singapore Exchange, putting CAO in the top 6% of Singapore-listed companies in terms of corporate governance and transparency.

SHARE PRICE INFORMATION

Share Price (S$)	2009	2010	2011	2012	2013
As at last trading day of the year	1.14	1.54	0.985	1.000	1.045
High	1.32	1.79	1.590	1.330	1.230
Low	0.57	1.09	0.835	0.925	0.890
Average	1.01	1.41	1.179	1.041	1.007

Corporate Calendar	
2014	
Announcement of 2013 full-year results	26 February
Despatch of Summary Reports to shareholders	On or about 28 March
20th Annual General Meeting	24 April
Proposed First and Final Dividend for FY2013	
Books closure date	9 May
Payment date	20 May
Announcement of 1Q 2014 results	April
Announcement of 2Q 2014 results	August
Announcement of 3Q 2014 results	November
2015	
Announcement of 2014 full-year results	February

投资者关系

2013 CAO SHARE PRICE MOVEMENT AND TRADING VOLUME

Source: Bloomberg & SGX Website

在“透明、诚信、创新、公平”的企业核心价值观的指导下，CAO的投资者关系活动继续重点关注企业披露的质量以及与投资界的积极沟通，秉持着高标准的企业透明度与合理的披露，与股东、投资者、分析师以及媒体保持频繁互动，及时定期通报财务业绩和企业活动。

2013年，CAO进一步加强了与投资者的交流与互动。我们通过一对一的交流、电话沟通、召开投资者会议以及路演等方式，向现有和潜在投资者通报CAO的财务业绩、企业发展状况和公司战略。我们于9月举办了投资者招待日，分享了集团2020年战略和战略路线图。高级管理层在现场和投资者积极互动，还邀请专家进行主题演讲，分享全球油品市场现状和发展趋势。为扩大集团的投资者基础，高级管理层还参加了多项非交易性路演和各种行业论坛，进一步加强机构投资者和散户投资者对公司的了解。CAO还通过发布新闻稿以及配合集团财务业绩公告召开媒体、分析师见面会，定期提供公司最新进展情况。

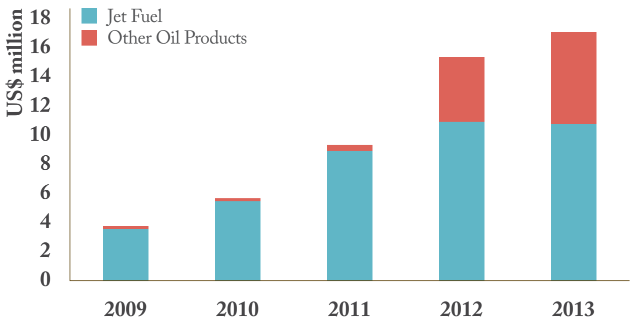
除了通过新交所网站进行披露，CAO的投资者关系网站也是投资者获取信息的重要渠道。网站会第一时间向公众和投资界发布市场敏感信息，提供全面的公司信息、财务业绩。同时，可通过发送邮件至 ir@caosco.com 联系CAO投资者关系团队。

2013年，我们具前瞻性的投资者关系活动以及秉持企业透明度的努力再次得到了投资界的认可。2013年11月，在新加坡证券投资者协会举办的第十四届“投资者选择奖”中，CAO获颁“公司治理奖”（中型企业组别第二名），也连续第四年获得了“最透明公司奖”（油气行业第二名）。在2013年新加坡《商业时报》和新加坡国立大学公司治理与财务报告中心发布的治理与透明度排名中，CAO在664家接受评估的新加坡上市公司中居第36位，即CAO是公司治理和透明度方面排名前6%的新加坡上市公司。

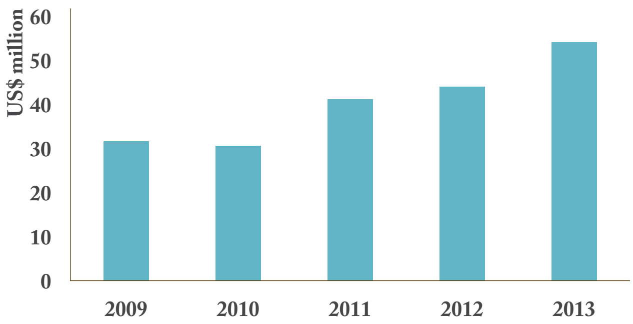
Interaction with shareholders after the EGM
董事长和 CEO 在特别股东大会后与投资者互动

Financial Review

GROUP REVENUE BY PRODUCT
总营业额（按产品划分）



GROSS PROFIT
毛利



EARNINGS ANALYSIS

Total supply and trading volume of the CAO Group increased 11.3% to 16.5 million tonnes for FY2013, compared to 14.8 million tonnes for FY2012. Volume of jet fuel supply and trading was 10.4 million tonnes for FY2013 and remained largely unchanged from FY2012. Trading volume of other oil products (i.e. gas oil, fuel oil and petrochemicals) grew by 1.8 million tonnes or 42.2% to 6.1 million tonnes for FY2013, due to an increase in trading activities in fuel oil and petrochemical products.

With the rise in trading volume, total revenue for the Group rose 5.2% to US$15.6 billion for FY2013 from US$14.8 billion in FY2012.

Revenue from the supply and trading of jet fuel accounted for 65.6% of the Group's revenue in FY2013. Other oil products continued to sustain strong growth in FY2013 with the growth of trading volumes of other oil products. Consequently, revenue from other oil products increased 28.2% to US$5.4 billion, compared to US$4.2 billion in FY2012.

China remains the Group's largest market and accounted for 55% of the Group's revenue in FY2013, compared to 53% in FY2012. Revenue contribution from China increased to US$8.5 billion in FY2013 compared to US$7.9 billion in FY2012.

In line with its strategy, the Group has consolidated its trading activities in Asia Pacific so as to expand globally. Singapore accounted for 11% of the Group's revenue in FY2013, compared to 6% in FY2012. Revenue from Singapore rose to US$1.6 billion in FY2013, an increase of 78% as compared to US$0.9 billion in FY2012.

Group gross profit from the supply and trading of jet fuel, including the trading of other oil products was US$52.5 million in FY2013, a growth of 22.8% over US$42.8 million in FY2012, due mainly to stable profits derived from supply and trading of jet fuel, substantial increase in trading gains from other oil products and increased gross profit contribution from subsidiaries.

The Group's net profit for FY2013 rose 6.1% to US$70.2 million, compared to US$66.2 million in FY2012 due principally to higher gross profit as a result of higher gains from oil trading activities and higher share of profits from associates.

On the back of this better performance, earnings per share rose to 8.16 US cents for FY2013 compared to 7.69 US cents reported the year before.

Total expenses for FY2013 increased 30.9% to US$27.7 million, mainly to support CAO's expansion in operations, business activities and geographic reach.

Total operating profit rose 15.9% to US$25.9 million in FY2013, compared to US$22.4 million in FY2012, clearly indicating the Group's ability to grow its profitability.

Share of profits from associated companies was US$46.5 million for FY2013 compared to US$43.2 million in FY2012, an increase of 7.6%. This was due mainly to a higher contribution of US$44.9 million from Pudong in FY2013 compared to US$38.2 million in FY2012.

The Group's share of losses for OKYC was US$0.6 million in FY2013, compared to a share of profit of US$2.5 million the previous year. OKYC incurred losses this financial year due principally to higher operating cost and interest expenses on its bank borrowings as well as marked-to-market loss of its cross currency interest rate swap contracts which offset the profits generated from its storage leasing operations started in April 2013.

In FY2013, the Group saw its share of profit from TSN-PEKCL declined 5.7% to US$1.7 million, and the share of profit from Xinyuan declined by US$0.2 million to US$0.5 million, due principally to higher operating expenses.

Financial Review

ASSETS

The Group continued to maintain its robust balance sheet. Total assets as at 31 December 2013 amounted to US$1.6 billion, compared to US$1.7 billion a year ago due mainly to lower receivables.

The Group's liquidity and debt-paying ability continues to be strong. As at 31 December 2013, the Group's total trade and banking facilities amounted to US$3.02 billion and its cash balance was US$56.3 million, as compared to US$81.1 million in FY2012, due mainly to increased trading activities and higher working capital requirements for inventory. As at 31 December 2013, current ratio and quick ratio were 1.23 and 1.13 respectively (2012: 1.17 and 1.15 respectively).

BORROWINGS

As the Group commits to transform itself into a top-tier integrated transportation fuels provider, its borrowings have increased in tandem to finance its business expansion. The Group's interest-bearing debts stood at $28.6 million as at 31 December 2013, against US$1.7 million a year ago.

Gearing as at 31 December 2013 was 0.05 times, against 0.01 times a year ago, as a result of increased working capital requirements.

The Group's financial position as at 31 December 2013 remained healthy.

NET ASSETS

The Group's net assets stood at US$523.6 million or 73.04 US cents per share as at 31 December 2013, compared to US$459.9 million or 64.16 US cents per share a year ago arising from an increase in retained earnings as a result of the higher net profit generated for FY2013.

Maintaining a strong financial structure is of paramount importance to the Group and it will actively monitor its overall liquidity position on an ongoing basis to support its growing business expansion. Current principal sources of the Group's cashflow are from its supply and trading business as well as dividends received from associated companies. The Group will continue to proactively seek investment opportunities in strategic oil related assets or earnings accretive businesses and diversify its income streams to enhance the Group's investment returns as well as company value.

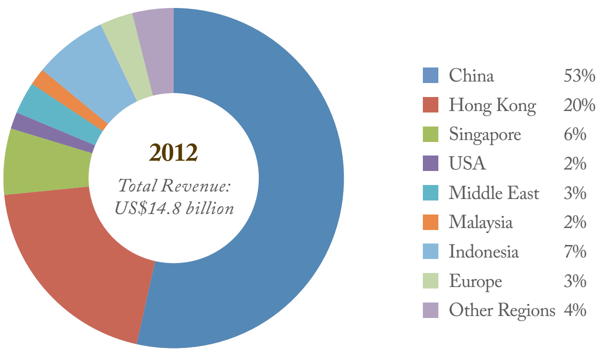
5-Year Financial Summary	2009	2010	2011	2012	2013
INCOME STATEMENT (US$'000)					
Revenue	3,634,324	5,452,639	9,011,978	14,807,984	15,571,868
Gross Profit	30,707	29,734	39,966	42,750	52,491
Associated Companies	24,175	37,643	40,232	43,187	46,476
Net Profit Attributable to Equity Holders of the Company (PATMI)	45,199	54,709	63,401	66,189	70,216
BALANCE SHEET (US$'000)					
Total Assets	758,726	957,896	1,194,261	1,650,340	1,574,890
Total Equity	309,735	345,231	401,335	459,933	523,562
Cash and Cash Equivalent	182,192	57,988	88,065	81,144	56,299
FINANCIAL RATIOS					
Diluted Earnings per Share (US$ cents)*	5.22	6.35	7.36	7.69	8.16
Net Assets per Share (US$ cents)	42.91	48.07	55.99	64.16	73.04
Return on Equity#	15.4%	16.7%	17.0%	15.4%	14.3%
Return on Assets#	7.2%	6.4%	5.9%	4.7%	4.5%
Debt Equity Ratio	0.0%	8.8%	7.5%	0.4%	5.5%

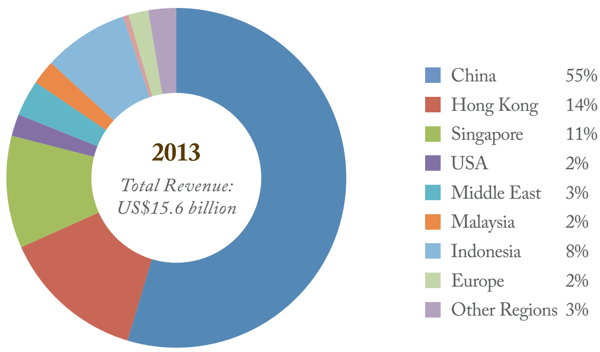
* The diluted earnings per share are adjusted for transactions that adjust the number of shares without a corresponding change in resources. The effects of the bonus shares, issued on 10 March 2014, which is before the financial statements are authorised for issue, have been included in the diluted earnings per share calculation for the years ended 31 December 2009 to 2013.
稀释每股收益依照影响股份数量而不影响相应金额的交易进行调整。于2014年3月10日在财务报表批准公布前发行的股票股利的影响已被考虑在2009年至2013年的每股收益计算中。

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

财务业绩

REVENUE BY GEOGRAPHICAL LOCATION
总销售收入按地区划分





回报分析

2013年CAO集团全部供应和贸易量较去年同期的1480万吨增长11.3%至1650万吨，其中，2013年航煤供应和贸易量1040万吨，与去年基本持平；其他油品贸易量（柴油、燃料油和化工品）由燃料油和化工品贸易活动拉动增加180万吨，增长42.2%至610万吨。

伴随贸易量增长，2013年集团总收入从2012年的148亿美元增长5.2%至156亿美元。

2013年航煤供应和贸易收入占集团总收入的65.6%。其他油品贸易量增长推动其他油品收入强劲增长，较2012年的17亿美元，营业收入同比增长28.2%至54亿美元。

中国仍是CAO的最大市场。2013年，集团收入的55%来自中国，上年同期为53%。更大的区域份额使得2013年来自中国的收入增至42亿美元，2012年是79亿美元。

依照战略，集团积极巩固亚太的贸易活动以拓展全球贸易，2013年集团收入的11%来自新加坡，而2012年仅占6%。2013年新加坡地区的收入增至16亿美元，2012年为9.32亿美元，同比增长72%。

2013年航煤供应和贸易以及其他油品贸易的毛利总额达5250万美元，相比2012年的4280万美元增长了22.8%。这主要由于航煤供应和贸易的稳定利润、其他油品贸易盈利的大幅增长，以及子公司毛利的增长。

集团2013年净利润增加6.1%至7022万美元，上年同期为6620万美元，主要由于油品贸易盈利增加带来毛利增加和联营公司并帐利润增加。

由于业绩增长，2013年每股盈利为9.80美分，2012年是9.23美分。

2013年总费用增长30.9%至2770万美元，主要是支持公司营运、业务和市场拓展的需要。

2013年总经营利润增长15.9%至2590万美元，去年同期为2240万美元。这表明公司自营业务的盈利能力显著提升。

2013年联营公司并帐利润为4650万美元，2012年为4320万美元，同比增长7.6%。这主要由于浦东航油贡献了4490万美元，2012年仅为3820万美元。

2013年联营公司OKYC的并账亏损为60万美元，前一年为盈利250万美元。亏损的原因是由于更高的运营成本和银行贷款的利息费用以及美元债券兑韩元的盯市损失抵销了从2013年4月1日起租赁储罐带来的毛利。

由于运营费用增加，2013年管输公司的并帐利润减少5.7%至170万美元，对新源公司的投资收益降低20万美元至50万美元。

资产

集团资产负债状况保持稳健。截至2013年12月31日，CAO总资产为16亿美元，相比2012年底的17亿美元略有下降，主要是应收账款同比减少。

CAO的资金流动性和偿债能力保持在良好水平。截至2013年12月31日，集团的全部贸易和银行融资额度达到30.2亿美元，现金及现金等价物为5630万美元，而2012年为8110万美元，这主要是扩大贸易活动及库存占用资金增加所致。截至2013年12月31日，流动比率和速动比率分别为1.23和1.13（2012年分别为1.17和1.15）。

负债

集团正致力转型为一流的运输燃料一体化方案提供商，负债规模也随着业务拓展的需要而增加。截至2013年12月31日，带息负债总额为2860万美元，2012年底为170万美元。

由于流动资金需求增长，截至2013年12月31日，集团带息负债率为0.05，上年同期是0.01。

截至2013年12月31日，集团财务状况保持健康。

净资产

截至2013年12月31日，CAO净资产为5.236亿美元，即每股73.04美分，上年同期为4.599亿美元，即每股64.16美分，主要由于2013年净利润带来的累计留存收益增加。

保持强健的财务结构对集团来说至关重要，集团会积极持续监控整体流动性以支持业务拓展的需要。集团现金流的主要来源是供应和贸易业务盈利以及联营公司分配的股息。同时，CAO将继续积极寻找机会，投资具有高回报的战略性油品相关资产或业务，拓展收入来源，从而提高投资回报以及提升公司价值。

Financial Statements

Contents

Directors' Report

Year ended 31 December 2013

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 2013.

DIRECTORS

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

Sun Li	Chairman
Wang Kai Yuen	Deputy Chairman/Lead Independent Director
Meng Fanqiu	Chief Executive Officer/Executive Director
Ang Swee Tian	
Chen Liming	
Alan Haywood	
Liu Fuchun	
Luo Qun	
Zhao Shousen	

DIRECTORS' INTERESTS

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

	Holdings registered in the name of Director or nominee		Holdings in which Director is deemed to have an interest	
	At 1 January 2013	At 31 December 2013	At 1 January 2013	At 31 December 2013
The Company				
Sun Li				
– Options to subscribe for ordinary shares at S$0.91 per share from 9 October 2013 to 8 October 2016	300,000	200,000	–	–
Wang Kai Yuen				
– Ordinary shares	48,000	48,000	100,000[1]	100,000[1]
Ang Swee Tian				
– Ordinary shares	40,000	40,000	–	–
Meng Fanqiu				
– Options to subscribe for ordinary shares at S$0.91 per share from 9 October 2013 to 8 October 2021	498,000	365,200	–	–
Luo Qun				
– Options to subscribe for ordinary shares at S$0.91 per share from 9 October 2013 to 8 October 2016	150,000	100,000	–	–
Zhao Shousen				
– Options to subscribe for ordinary shares at S$0.91 per share from 9 October 2013 to 8 October 2016	150,000	100,000	–	–

[1] Held by Wang Kai Yuen's spouse.

Directors' Report

Year ended 31 December 2013

DIRECTORS' INTERESTS (CONT'D)

The Directors' interests in the ordinary shares of the Company as at 21 January 2014 were the same as those as at 31 December 2013.

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

Except as disclosed under the "Share options" section of this report and in note 28 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm in which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS

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

Other information regarding the Scheme is set out below:

– Under the Scheme, share options to subscribe for the ordinary shares of the Company (the "Shares") are granted to full-time confirmed employees and Directors (including Non-Executive Directors) of the Group.

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

– The exercise price for each Share in respect of which a share option is exercisable shall be determined by the Remuneration Committee, and fixed at the highest of:

  (i) a price equal to the last dealt price of the Shares as at the close of trading on the date of grant (the "Offer Date") of the share option, as determined by reference to the website of the Singapore Exchange Securities Trading Limited ("SGX-ST"), rounded up to the nearest whole cent in the event of fractional prices; or

  (ii) a price (the "Market Price") equal to the average of the last dealt prices for a Share, as determined by reference to the Singapore English newspapers, or other publication published by the SGX-ST for the 5 consecutive trading days immediately preceding the Offer Date of that share option, rounded up to the nearest whole cent in the event of fractional prices; or

  (iii) a price which is set at a discount to the Market Price, provided that:

    (1) the maximum discount shall not exceed 20% of the Market Price; and

    (2) the Shareholders of the Company in an AGM or EGM shall have authorised the making of offers and grants of share options under the Scheme at a discount not exceeding the maximum discount as aforesaid in a separate resolution,

Directors' Report

Year ended 31 December 2013

SHARE OPTIONS (CONT'D)

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

Share options granted at the exercise price at no discount to the Market Price shall only be exercisable at any time (in whole or in part) by a participant after the second anniversary of the offer date of that share option or in such tranches over such period after such second anniversary date as the Remuneration Committee may determine and set out in the letter of offer, provided always that share options shall be exercised before the tenth anniversary of the relevant offer date, in the case of share options granted to full-time confirmed employees of the Group including executive directors (collectively referred to as "Executive Options"); and before the fifth anniversary of the relevant offer date, in the case of options issued to non-executive directors, or such earlier date as may be determined by the Remuneration Committee.

(a) The options granted to directors and employees (other than to senior executives of the Company who are secondees of the parent company, CNAF ("CNAF Secondees") are subject to the following vesting conditions:

    (i) Up to a maximum of one-third of the number of option shares shall be exercisable in the period from the day after the second anniversary of the Offer Date to the third anniversary of the Offer Date;

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

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

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

    (i) Up to a maximum of one-third of 80% of the number of option shares shall be exercisable in the period from the day after the second anniversary of the Offer Date to the third anniversary of the Offer Date;

    (ii) Up to a maximum of one-third of 80% of the number of option shares, and any number of option shares in respect of which the option has not been exercised under paragraph (b)(i), shall be exercisable in the period from the day after the third anniversary of the Offer Date to the fourth anniversary of the Offer Date; and

    (iii) The remaining number of option shares not exceeding 80% of the total number of option shares, and any number of option shares in respect of which the option has not been exercised under paragraphs (b)(i) and (b)(ii), shall be exercisable in the period from the day after the fourth anniversary of the Offer Date to the date immediately preceding the fifth anniversary of the Offer Date.

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

Directors' Report

Year ended 31 December 2013

SHARE OPTIONS (CONT'D)

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

(a) if the holder of vested options being a non-executive director, is or remains as a director of the Company, or if the holder of vested options being an employee, is or remains in full-time employment with the Company;

(b) achievement of pre-determined target set for key performance indicators on (i) market capitalisation, (ii) net profit after tax, and (iii) return on equity; and

(c) achievement of individual performance targets set by the Company or by its immediate holding company for executives of the Company.

The options granted to non-executive directors expire after five years from the date of grant and in the case of options granted to executives, the options expire ten years from the date of grant.

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

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

Date of grant of options	Exercise price per share	Options granted and outstanding as of 1 January 2013	Options exercised	Options cancelled/ expired	Options outstanding at 31 December 2013	Number of options holders at 31 December 2013	Exercise period
9 October 2011	S$0.91	4,662,000	–	1,617,400	3,044,600	43	9 October 2013 to 8 October 2021
9 October 2011	S$0.91	600,000	–	200,000	400,000	3	9 October 2013 to 8 October 2016
		5,262,000	–	1,817,400	3,444,600	46	

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

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

Name of director	Options granted for financial year 31 December 2013	Aggregate options granted since commencement of Scheme to 31 December 2013	Aggregate options cancelled since commencement of Scheme to 31 December 2013	Aggregate options exercised since commencement of Scheme to 31 December 2013	Aggregate options outstanding as at 31 December 2013
Sun Li	–	300,000	100,000	–	200,000
Meng Fanqiu	–	498,000	132,800	–	365,200
Zhao Shousen	–	150,000	50,000	–	100,000
Luo Qun	–	150,000	50,000	–	100,000

Directors' Report

Year ended 31 December 2013

SHARE OPTIONS (CONT'D)

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

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

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

AUDIT COMMITTEE

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

- Ang Swee Tian (Chairman), non-executive, independent director
- Zhao Shousen (Vice-Chairman), non-executive, non-independent director
- Wang Kai Yuen, non-executive, independent director
- Liu Fuchun, non-executive, independent director
- Alan Haywood, non-executive, non-independent director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the 2012 Code of Corporate Governance.

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

The Audit Committee also reviewed the following:

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

Directors' Report

Year ended 31 December 2013

AUDIT COMMITTEE (CONT'D)

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

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

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

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

On behalf of the Board of Directors

Wang Kai Yuen
Deputy Chairman & Lead Independent Director

Meng Fanqiu
Chief Executive Officer/Executive Director

17 March 2014

Statement by Directors

Year ended 31 December 2013

In our opinion:

(a) the financial statements set out on pages 89 to 146 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 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

Wang Kai Yuen
Deputy Chairman & Lead Independent Director

Meng Fanqiu
Chief Executive Officer/Executive Director

17 March 2014

Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of China Aviation Oil (Singapore) Corporation Ltd (the Company) and its subsidiaries (the Group), which comprise the statement of financial position of the Group and the Company as at 31 December 2013, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 89 to 146.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

KPMG LLP

Public Accountants and
Chartered Accountants

SINGAPORE

17 March 2014

Statement of Financial Position

As at 31 December 2013

	Note	Group 2013 US$'000	Group 2012 US$'000	Company 2013 US$'000	Company 2012 US$'000
Non-current assets					
Property, plant and equipment	4	7,377	8,046	7,323	7,992
Intangible assets	5	2,815	1,975	1,634	160
Subsidiaries	6	–	–	28,095	25,329
Associates and jointly controlled entity	7	267,761	248,874	81,236	111,526
Trade and other receivables	10	–	–	35,573	–
Deferred tax assets	8	7,087	7,093	7,083	7,083
		285,040	265,988	160,944	152,090
Current assets					
Inventories	9	113,125	18,572	110,197	15,568
Trade and other receivables	10	1,120,426	1,284,636	1,020,035	1,218,242
Cash and cash equivalents	11	56,299	81,144	52,617	75,290
		1,289,850	1,384,352	1,182,849	1,309,100
Total assets		1,574,890	1,650,340	1,343,793	1,461,190
Equity attributable to owners of the parent					
Share capital	12	215,573	215,573	215,573	215,573
Reserves	13	307,989	244,360	164,534	112,042
Total equity		523,562	459,933	380,107	327,615
Non-current liabilities					
Deferred tax liabilities	8	6,228	6,194	–	–
Current liabilities					
Trade and other payables	14	1,016,120	1,182,184	963,006	1,132,771
Loans and borrowings	15	28,609	1,666	680	804
Current tax liabilities		371	363	–	–
		1,045,100	1,184,213	963,686	1,133,575
Total liabilities		1,051,328	1,190,407	963,686	1,133,575
Total equity and liabilities		1,574,890	1,650,340	1,343,793	1,461,190

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

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue	18	15,571,868	14,807,984
Cost of sales		(15,519,377)	(14,765,234)
Gross profit		52,491	42,750
Other income	19	1,165	800
Administrative expenses		(19,454)	(13,075)
Other operating expenses		(2,955)	(2,445)
Results from operating activities		31,247	28,030
Finance costs	20	(5,299)	(5,644)
Share of profit of associates and jointly-controlled entity (net of tax)		46,476	43,187
Profit before tax		72,424	65,573
Tax (expense)/credit	21	(2,208)	616
Profit for the year	19	70,216	66,189
Attributable to:			
Owners of the Company		70,216	66,189
Earnings per share:			
Basic earnings per share (cents)	22	8.16	7.69
Diluted earnings per share (cents)	22	8.16	7.69

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 US$'000	2012 US$'000
Profit for the year	70,216	66,189
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Translation differences relating to financial statements of foreign associates	5,253	3,748
Other comprehensive income for the year, net of tax	5,253	3,748
Total comprehensive income for the year	75,469	69,937
Attributable to:		
Owners of the Company	75,469	69,937

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

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

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Note	Share capital US$'000	Foreign currency translation reserve US$'000	Statutory reserve US$'000	Reserve for own shares US$'000	Share option reserve US$'000	Accumulated profits US$'000	Total equity US$'000
At 1 January 2013		215,573	26,888	8,694	(5,482)	271	213,989	459,933
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	70,216	70,216
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Translation differences relating to financial statements of foreign associates		–	5,253	–	–	–	–	5,253
Total other comprehensive income		–	5,253	–	–	–	–	5,253
Total comprehensive income for the year		–	5,253	–	–	–	70,216	75,469
Contributions by and distributions to owners								
Share of associates' accumulated profits transferred to statutory reserve		–	–	395	–	–	(395)	–
Dividends to equity holders	13	–	–	–	–	–	(11,569)	(11,569)
Share-based payment transactions		–	–	–	–	(271)	–	(271)
Total transactions with owners		–	–	395	–	(271)	(11,964)	(11,840)
At 31 December 2013		215,573	32,141	9,089	(5,482)	–	272,241	523,562

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

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Cash flows from operating activities			
Profit for the year		70,216	66,189
Adjustments for:			
Depreciation of property, plant and equipment		796	780
Amortisation of intangible assets		1,003	104
(Reversal of allowance)/allowance for impairment loss on doubtful debts		(55)	773
Share-based payment transactions		(271)	217
Share of profit of associates and jointly controlled entity (net of tax)		(46,476)	(43,187)
Tax expense/(credit)		2,208	(616)
Interest income		(208)	(192)
Interest expense		1,998	1,344
Unrealised exchange differences		(261)	(12)
		28,950	25,287
Change in inventories		(94,553)	22,762
Change in trade and other receivables		163,401	(390,619)
Change in trade and other payables		(166,357)	371,600
Cash generated from operating activities		(68,559)	29,030
Tax paid		(2,277)	(2,732)
Net cash (used in)/from operating activities		(70,836)	26,298
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	26	–	(8,725)
Acquisition of associate		–	(28,785)
Investment in jointly controlled entity	7	(5,000)	–
Interest received		202	202
Acquisition of property, plant and equipment		(137)	(191)
Acquisition of intangible assets		(1,540)	(21)
Dividends from associates		38,829	45,417
Net cash from investing activities		32,354	7,897
Cash flows from financing activities			
Interest paid		(1,998)	(1,351)
Proceeds from loans and borrowings		248,845	286,760
Repayment of loans and borrowings		(221,902)	(315,094)
Dividends paid		(11,569)	(11,556)
Net cash from/(used in) financing activities		13,376	(41,241)
Net decrease in cash and cash equivalents		(25,106)	(7,046)
Cash and cash equivalents at 1 January		81,144	88,065
Effect of exchange rate fluctuations on cash held		261	125
Cash and cash equivalents at 31 December		56,299	81,144

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

Notes to the Financial Statements

Year ended 31 December 2013

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 17 March 2014.

1 DOMICILE AND ACTIVITIES

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the financial statements of the Company, its subsidiaries and the Group's interests in associates and jointly controlled entity (together referred to as the "Group" and individually as "Group entities").

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and in arriving at estimates with a significant risk of resulting in a material adjustment within the next financial year are discussed in note 29.

Notes to the Financial Statements

Year ended 31 December 2013

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policies

Short-term or long-term employee benefits definition

From 1 January 2013, as a result of FRS 19 (2011), the Group changed its accounting policy with respect to the basis for determining the income or expense related to the costs and definition of employee benefits as short-term or long-term employee benefits. The adoption of the revised standard has no impact on the measurements of the Group's profit or loss and other comprehensive income.

Fair value measurement

FRS 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other FRSs, including FRS 107 *Financial Instruments: Disclosures*.

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no impact on the measurements of the Group's assets and liabilities.

Presentation of items of other comprehensive income

From 1 January 2013, as a result of the amendments to FRS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

Business combinations (Cont'd)

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

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

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

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

Subsidiaries

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

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

Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs.

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

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with 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.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Subsidiaries, associates and jointly controlled entities in the separate financial statements

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

3.2 Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the exchange fluctuation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or jointly controlled entity that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (Cont'd)

Foreign operations (Cont'd)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Property, plant and equipment

Recognition and measurement

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

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

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

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

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

Depreciation

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

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

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets

Goodwill

Goodwill represents the excess of:

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

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Other intangible assets

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

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value. Amortisation if recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful life for the current and comparative years as follows:

Software	3 years
Customer contracts	1 year

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

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments

Non-derivative financial assets

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

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

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

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

Loans and receivables

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

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

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

Derivative financial instruments

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

Intra-group financial guarantees in the separate financial statements

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

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

Share capital

Ordinary shares

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.

Repurchase, disposal and reissue of share capital (treasury shares)

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

Distribution of non-cash assets to owners of the Company

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amounts of the assets distributed and the carrying amount of the liability in profit or loss.

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment

Non-derivative financial assets

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

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

Loans and receivables

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

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

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

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (Cont'd)

Non-financial assets (Cont'd)

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

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

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

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

3.7 Inventories

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

Inventories that are held for sale to customers and are subjected to value-added processing ("value-added inventories") are measured at the lower of cost and net realisable value. The cost of the value-added inventories is based on the weighted average basis, and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Inventories held by a subsidiary and an associate, for sale to customers, are measured at the lower of cost and net realisable value.

3.8 Employee benefits

Defined contribution plans

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

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

Long term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and accordingly recognised as a liability.

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Employee benefits (Cont'd)

Short-term employee benefits

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

Share-based payment transactions

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

3.9 Provisions

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

3.10 Revenue

Sale of goods

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

Trading of oil commodity derivatives

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

Dividend income

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

3.11 Operating leases

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

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Finance income and finance costs

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

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

3.13 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would flow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

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

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Earnings per share

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

3.15 Segment reporting

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

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

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

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

3.16 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early and does not expect significant impact arising from the adoption of these standards.

Applicable for the Group's 2014 financial statements

- FRS 110 *Consolidated Financial Statements* introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure, or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, FRS 110 requires the Group to consolidate investees that it controls on the basis of *de facto* circumstances.

  In accordance with the transitional provisions of FRS 110, the Group re-assessed the control conclusion for its investees and assessed that there is no change to its control conclusion in respect of its investments.

Notes to the Financial Statements

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 New standards and interpretations not adopted (Cont'd)

Applicable for the Group's 2014 financial statements (Cont'd)

- FRS 111 *Joint Arrangements* establishes the principles for classification and accounting of joint arrangements. The adoption of this standard would require the Group to re-assess and classify its joint arrangements as either joint operations or joint ventures based on its rights and obligations arising from the joint arrangements. Under this standard, interests in joint ventures will be accounted for using the equity method whilst interests in joint operations will be accounted for using the applicable FRSs relating to the underlying assets, liabilities, revenue and expense items arising from the joint operations. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

  The Group has re-evaluated its involvement in its only joint arrangement and maintained its classification as a jointly controlled entity. The investment would continue to be recognised by applying the equity method and there will be no impact on the recognised assets, liabilities and comprehensive income of the Group when the Group adopts FRS 111 in 2014.

- FRS 112 *Disclosure of Interests in Other Entities* brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates in comparison with the existing disclosures. FRS 112 requires the disclosure of information about the nature, risks and financial effects of these interests.

  FRS 110, FRS 111 and FRS 112 are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

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

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

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

  The amendments will be applied retrospectively and prior periods in the Group's 2014 financial statements will be restated. As at 31 December 2013, if the amendments were effective, the Group's total assets and total liabilities would have increased by US$146,508,000 respectirely.

Notes to the Financial Statements

Year ended 31 December 2013

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties US$'000	Motor vehicles US$'000	Furniture and fittings US$'000	Office equipment US$'000	Renovations US$'000	Computers US$'000	Total US$'000
Group							
Cost							
At 1 January 2012	9,205	232	21	317	857	644	11,276
Acquisition of subsidiaries	–	53	4	2	–	8	67
Additions	–	–	–	38	–	153	191
Disposals	–	–	–	(4)	–	(2)	(6)
At 31 December 2012	9,205	285	25	353	857	803	11,528
Additions	–	–	–	89	23	15	127
Disposals	–	–	–	(2)	–	(15)	(17)
At 31 December 2013	9,205	285	25	440	880	803	11,638
Accumulated depreciation							
At 1 January 2012	1,940	48	10	153	227	330	2,708
Depreciation for the year	449	38	2	39	162	90	780
Disposals	–	–	–	(4)	–	(2)	(6)
At 31 December 2012	2,389	86	12	188	389	418	3,482
Depreciation for the year	449	39	2	52	146	108	796
Disposals	–	–	–	(2)	–	(15)	(17)
At 31 December 2013	2,838	125	14	238	535	511	4,261
Carrying amounts							
At 1 January 2012	7,265	184	11	164	630	314	8,568
At 31 December 2012	6,816	199	13	165	468	385	8,046
At 31 December 2013	6,367	160	11	202	345	292	7,377

Notes to the Financial Statements

Year ended 31 December 2013

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold properties US$'000	Motor vehicles US$'000	Furniture and fittings US$'000	Office equipment US$'000	Renovations US$'000	Computers US$'000	Total US$'000
Company							
Cost							
At 1 January 2012	9,205	232	21	317	857	644	11,276
Additions	–	–	–	38	–	153	191
At 31 December 2012	9,205	232	21	355	857	797	11,467
Additions	–	–	–	89	23	2	114
At 31 December 2013	9,205	232	21	444	880	799	11,581
Accumulated depreciation							
At 1 January 2012	1,940	48	10	153	227	330	2,708
Depreciation for the year	449	29	2	39	162	86	767
At 31 December 2012	2,389	77	12	192	389	416	3,475
Depreciation for the year	449	29	1	52	146	106	783
At 31 December 2013	2,838	106	13	244	535	522	4,258
Carrying amounts							
At 1 January 2012	7,265	184	11	164	630	314	8,568
At 31 December 2012	6,816	155	9	163	468	381	7,992
At 31 December 2013	6,367	126	8	200	345	277	7,323

The following are properties held by the Group and Company:

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

Notes to the Financial Statements

Year ended 31 December 2013

5 INTANGIBLE ASSETS

	Goodwill on consolidation US$'000	Customer contracts US$'000	Software US$'000	Total US$'000
Group				
Cost				
At 1 January 2012	–	–	647	647
Acquisition of subsidiaries	1,815	–	–	1,815
Additions	–	–	21	21
At 31 December 2012, as previously stated	1,815	–	668	2,483
Finalisation of purchase price allocation	(634)	634	–	–
At 31 December 2012, restated	1,181	634	668	2,483
Additions	–	–	1,843	1,843
At 31 December 2013	1,181	634	2,511	4,326
Accumulated amortisation				
At 1 January 2012	–	–	404	404
Amortisation for the year	–	–	104	104
At 31 December 2012	–	–	508	508
Amortisation for the year	–	634	369	1,003
At 31 December 2013	–	634	877	1,511
Carrying amounts				
At 1 January 2012	–	–	243	243
At 31 December 2012, as previously stated	1,815	–	160	1,975
At 31 December 2012, restated	1,181	634	160	1,975
At 31 December 2013	1,181	–	1,634	2,815

During the current year, the Group finalised the purchase price allocation exercise for the acquisition of subsidiaries completed in the prior year. As a result, the Group recognised an additional intangible asset in relation to customer contracts and a lower goodwill arising from consolidation.

Impairment testing of goodwill

Goodwill on consolidation has been allocated to the respective cash generating units ('CGUs') for impairment testing. The carrying amounts of goodwill allocated to each CGU, calculated using the carrying amount of the identifiable assets and liabilities of the CGUs acquired in 2012, are as follows:

	2013	2012	
		As previously reported	Restated
	US$'000	US$'000	US$'000
Group			
China Aviation Oil (Hong Kong) Company Limited ("CAOHK")	268	902	268
North American Fuel Corporation ("NAFCO")	913	913	913
	1,181	1,815	1,181

Notes to the Financial Statements

Year ended 31 December 2013

5 INTANGIBLE ASSETS (CONT'D)

The recoverable amounts of the CGUs and its allocated goodwill on consolidation were determined based on fair value less costs to sell. For the financial year ended 31 December 2013, management assessed that the recoverable amount of the CGUs, including the allocated goodwill on consolidation, approximates the fair value less costs to sell. The fair value less costs to sell was estimated based on the valuation of the net assets of the companies which mainly comprises monetary assets and monetary liabilities.

	Software US$'000
Company	
Cost	
At 1 January 2012	647
Additions	21
At 31 December 2012	668
Additions	1,843
At 31 December 2013	2,511
Accumulated amortisation	
At 1 January 2012	404
Amortisation for the year	104
At 31 December 2012	508
Amortisation for the year	369
At 31 December 2013	877
Carrying amounts	
At 1 January 2012	243
At 31 December 2012	160
At 31 December 2013	1,634

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Year ended 31 December 2013

6 SUBSIDIARIES

	Company 2013 US$'000	Company 2012 US$'000
Unquoted equity investment, at cost	28,095	25,329

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Ownership 2013 %	Ownership 2012 %
CAOT Pte Ltd ("CAOT")	Singapore	100	100
CAOHK	Hong Kong	100	100
NAFCO	United States of America	100	100
China Aviation Oil (Europe) Limited ("CAO Europe")	United Kingdom	100	–

On 7 January 2013, the Company injected an additional US$1,000,000 by way of subscription of ordinary shares in CAOT.

During the year, the Company issued financial guarantees to a financial institution and third party suppliers in respect of loans and borrowings obtained by its subsidiary. The fair value of financial guarantees issued amounted to $1,765,000 (2012: $1,215,000) and is accounted for as additional investment in the subsidiary.

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

Notes to the Financial Statements

Year ended 31 December 2013

7 ASSOCIATES AND JOINTLY CONTROLLED ENTITY

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Investments in associates	262,761	248,874	82,625	112,915
Investment in jointly controlled entity	5,000	–	–	–
Impairment losses	–	–	(1,389)	(1,389)
	267,761	248,874	81,236	111,526

On 23 August 2013, the Company transferred its equity interest in Oilhub Korea Yeosu Co., Ltd. ("OKYC") to its subsidiary, CAOT, for a consideration of US$30,290,000. Subsequent to the transfer, OKYC remains an associate of the Group.

On 4 September 2013, the Group's subsidiary, CAOHK, entered into a joint venture agreement with three partners to set up a new company, CNAF Hong Kong Refuelling Limited ("CNAF HKR") in Hong Kong. CAOHK subscribed for 3.9 million shares of CNAF HKR for a consideration of HKD 39,000,000 (equivalent to US$5,000,000). CAOHK is deemed to have joint control over the company. As at 31 December 2013, the company has not commenced operations.

In 2013, dividends declared by associates amounted to US$37,949,255 (2012: US$45,085,378) of which US$38,829,000 (2012: US$45,417,000) were received during the financial year.

Details of the associates are as follows:

Name of associate	Country of Incorporation	Ownership 2013 %	Ownership 2012 %
# Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA")	People's Republic of China	33	33
@ China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan")	People's Republic of China	39	39
@ China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL")	People's Republic of China	49	49
@ Oilhub Korea Yeosu Co., Ltd. ("OKYC")	Republic of Korea	26	26

\# Audited by Crowe Horwath China Certified Public Accountants, LLP Shanghai Branch, a member of the Chinese Institute of Certified Public Accountants, for statutory audit purposes. Audited by a member firm of KPMG International for consolidation purpose.

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

Notes to the Financial Statements

Year ended 31 December 2013

7 ASSOCIATES AND JOINTLY CONTROLLED ENTITY (CONT'D)

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

	2013 US$'000	2012 US$'000
Assets and liabilities		
Non-current assets	556,421	512,066
Current assets	869,084	869,622
Total assets	1,425,505	1,381,688
Non-current liabilities	314,028	337,289
Current liabilities	453,703	440,444
Total liabilities	767,731	777,733
Results		
Revenue	3,625,693	3,599,188
Expenses	(3,483,289)	(3,464,826)
Profit after taxation	142,404	134,362
Group's share of associates' contingent liabilities	18,365	18,365

Details of the jointly controlled entity are as follows:

Name of jointly controlled entity	Country of Incorporation	Ownership 2013 %	Ownership 2012 %
@ CNAF HKR	Hong Kong	39	–

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

Summary financial information of the jointly controlled entity adjusted for the percentage ownership held by the Group is as follows:

	2013 US$'000
Assets and liabilities	
Non-current assets	–
Current assets	5,030
Total assets	5,030
Non-current liabilities	–
Current liabilities	7
Total liabilities	7
Results	
Revenue	–
Expenses	–
Profit after taxation	–

Notes to the Financial Statements

Year ended 31 December 2013

8 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Deferred tax assets				
Tax losses carry-forward	7,087	7,093	7,083	7,083
Deferred tax liabilities				
Investments in associates	(6,228)	(6,194)	–	–

Movements in temporary differences during the year are as follows:

	At 1 January 2012 US$'000	Recognised in profit or loss US$'000	At 31 December 2012 US$'000	Recognised in profit or loss US$'000	At 31 December 2013 US$'000
Group					
Investments in associates	6,282	1,107	7,389	1,657	9,046
Tax losses carry-forward	(3,980)	(4,308)	(8,288)	(1,617)	(9,905)
	2,302	(3,201)	(899)	40	(859)
Company					
Tax losses carry-forward	(3,980)	(3,103)	(7,083)	–	(7,083)

Unrecognised deferred tax assets

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Other temporary differences	1,558	879	1,558	879
Tax losses carry-forward	96,917	129,385	96,917	129,385
	98,475	130,264	98,475	130,264

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

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

Notes to the Financial Statements

Year ended 31 December 2013

9 INVENTORIES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Trading inventories at fair value less costs to sell	113,125	18,572	110,197	15,568

In the current year, trading inventories recognised in cost of sales amounted to US$15,434,006,000 (2012: US$14,669,558,000) for the Group and the Company.

There were no inventories that are measured at the lower of cost and net realisable value in the years ended 31 December 2012 and 2013.

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Trade receivables	574,823	765,412	508,927	724,898
Other receivables	24,307	19,110	23,296	13,158
Deposits	10,532	4,827	4,517	4,490
Amounts due from:				
– immediate and ultimate holding company (non-trade)	68	4,100	4	60
– subsidiary (trade)	–	–	353	26,708
– related corporations (trade)	460,146	299,440	460,146	257,181
– related corporation of a corporate shareholder (trade)	1,117	173,151	1,117	173,151
– subsidiaries (non-trade)	–	–	30,538	–
	461,331	476,691	492,158	457,100
Loan to subsidiary	–	–	5,035	–
Trade and other receivables	1,070,993	1,266,040	1,033,933	1,199,646
Allowance for impairment loss on doubtful debts	(4,276)	(5,049)	(4,276)	(5,049)
	1,066,717	1,260,991	1,029,657	1,194,597
Derivative financial assets - oil commodity derivatives	24,329	22,498	24,329	22,498
Loans and receivables	1,091,046	1,283,489	1,053,986	1,217,095
Prepayments	29,380	1,147	1,622	1,147
	1,120,426	1,284,636	1,055,608	1,218,242
Current	1,120,426	1,284,636	1,020,035	1,218,242
Non-current	–	–	35,573	–
	1,120,426	1,284,636	1,055,608	1,218,242

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

Notes to the Financial Statements

Year ended 31 December 2013

10 TRADE AND OTHER RECEIVABLES (CONT'D)

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

The non-trade amount due from subsidiaries and the loan to a subsidiary are unsecured, interest-free and repayable on demand.

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

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

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Cash at bank and in hand				
– Interest-bearing	13,816	31,496	13,816	31,496
– Non interest-bearing	16,675	34,911	12,993	29,057
Interest-bearing fixed deposits with financial institutions	25,808	14,737	25,808	14,737
Cash and cash equivalents in the statement of cash flows	56,299	81,144	52,617	75,290

The weighted average effective interest rates per annum relating to interest-bearing deposits with banks and financial institutions at the reporting date are as disclosed below (interest rates reprice at intervals of one, three or six months):

	2013 Interest rate %	2013 Carrying amount US$'000	2012 Interest rate %	2012 Carrying amount US$'000
Group				
Cash at bank	0.1	13,816	0.1	31,496
US$ fixed deposits	0.3	25,808	0.2	14,737
		39,624		46,233
Company				
Cash at bank	0.1	13,816	0.1	31,496
US$ fixed deposits	0.3	25,808	0.2	14,737
		39,624		46,233

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

Notes to the Financial Statements

Year ended 31 December 2013

12 SHARE CAPITAL

	Company 2013 Number of shares ('000)	Company 2012 Number of shares ('000)
Fully paid ordinary shares, with no par value:		
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 Company defines capital as share capital and reserves. The consolidated share capital and reserves amounts to US$523,562,000 (2012: US$459,933,000). The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board also monitors the level of dividends declared to ordinary shareholders.

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

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

Notes to the Financial Statements

Year ended 31 December 2013

13 RESERVES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Foreign currency translation reserve	32,141	26,888	–	–
Statutory reserve	9,089	8,694	–	–
Reserve for own shares	(5,482)	(5,482)	(5,482)	(5,482)
Share option reserve	–	271	–	271
Accumulated profits	272,241	213,989	170,016	117,253
	307,989	244,360	164,534	112,042

(a) The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

(b) The associates of the Group established in the People's Republic of China ("PRC") follow the accounting principles and relevant financial regulations of the PRC applicable to enterprises established in the PRC (PRC GAAP) in the preparation of the accounting records and its financial statements. Pursuant to accounting regulations for foreign-invested PRC enterprises and the PRC Company Law, the associates are required to appropriate 10% of the profit arrived at in accordance with PRC GAAP for each year to a statutory reserve. The profit arrived at must be used to set off against any accumulated losses. The appropriation to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends. During the current and immediate preceding financial year, SPIA did not appropriate any profit to the statutory reserve as the statutory reserve of SPIA has reached 50% of its registered capital.

(c) The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2013, the Group held 6,000,000 (2012: 6,000,000) of the Company's shares.

(d) The share option reserve comprises the cumulative value of services received from directors and employees for the issue of the share options.

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

	Group and Company	
	2013 US$'000	2012 US$'000
Final exempt dividends paid in respect of the previous financial year of S$0.02 (2012: S$0.02) per share	11,569	11,556

(f) The Directors have proposed a final (one-tier tax exempt) ordinary dividend of S$0.02 (2012: S$0.02) per share, amounting to US$13,608,000 (2012: US$11,569,000). The dividends have not been provided for.

Notes to the Financial Statements

Year ended 31 December 2013

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Trade payables	898,347	973,777	859,993	940,064
Accrued operating expenses	20,692	13,460	20,683	13,452
Other payables	16,714	647	15,662	307
Advance receipts from customers	4,258	5,025	209	758
Amounts due to:				
– immediate and ultimate holding company (non-trade)	9,846	7,856	–	–
– related corporations (trade)	–	3,641	–	–
– related corporation of a corporate shareholder (trade)	40,351	148,874	40,351	148,874
Derivative financial liabilities – oil commodity derivatives	25,912	28,904	25,912	28,904
Intra-group financial guarantees	–	–	196	412
	1,016,120	1,182,184	963,006	1,132,771

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

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

During the year, the Company issued financial guarantees to a bank and its suppliers on behalf of its subsidiary. The financial guarantees were given by the Company in respect of banking facilities amounting US$20,000,000 (2012: US$10,000,000) and for credit terms extended by the suppliers to the subsidiary. The financial guarantee issued to the bank expires on 1 July 2014 and those issued to suppliers expires on 30 September 2014. The fair value of the financial guarantees issued to the bank and the suppliers are included in loans and borrowings and trade and other payables respectively. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantees.

Notes to the Financial Statements

Year ended 31 December 2013

15 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 17.

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Current liabilities				
Trust receipts - unsecured	7,900	–	–	–
Short-term loan				
– secured	17,209	–	–	–
– unsecured	3,500	1,666	–	–
Intra-group financial guarantee	–	–	680	804
	28,609	1,666	680	804

At 31 December 2013, short-term loan of US$17,209,000 obtained by a subsidiary is secured by a financial guarantee provided by the Company.

Terms and debt repayment schedule

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

	Currency	Nominal interest rate %	Year of maturity	Face value U$'000	Carrying amount U$'000
Group					
2013					
Trust receipts	USD	1.31	2014	7,900	7,900
Short-term loan	USD	1.77	2014	17,209	17,209
Short-term loan	USD	1.79	2014	3,500	3,500
2012					
Short-term loan	USD	2.31	2013	1,666	1,666

Notes to the Financial Statements

Year ended 31 December 2013

16 SHARE-BASED PAYMENT ARRANGEMENTS

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

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

(i) The exercise price of the options is set at S$0.91 per share.

(ii) The options granted to directors and employees (other than to senior executives of the Company who are secondees of the parent company, China National Aviation Fuel Group Corporation ("CNAF Secondees") are subject to the following vesting conditions:

(a) Up to a maximum of one-third of the number of option shares shall be exercisable in the period from the day after the second anniversary of the Offer Date to the third anniversary of the Offer Date;

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

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

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

(a) Up to a maximum of one-third of 80% of the number of option shares shall be exercisable in the period from the day after the second anniversary of the Offer Date to the third anniversary of the Offer Date;

(b) Up to a maximum of one-third of 80% of the number of option shares, and any number of option shares in respect of which the option has not been exercised under paragraph (iii) (a), shall be exercisable in the period from the day after the third anniversary of the Offer Date to the fourth anniversary of the Offer Date; and

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

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

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Year ended 31 December 2013

16 SHARE-BASED PAYMENT ARRANGEMENTS (CONT'D)

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

(a) if the holder of the options being a non-executive director, is or remains as a director of the Company, or if the holder of the options being an employee, is or remains in full-time employment with the Company;

(b) achievement of pre-determined target set for key performance indicators on (i) market capitalisation, (ii) net profit after tax, and (iii) return on equity;

(c) achievement of individual's performance targets set by the Company or by its immediate holding company for employees of the Company; and

(d) approval by the remuneration committee confirming the vesting of the options.

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

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

Based on the above service and performance conditions, the Group assesses the fair value of the share-based payment arrangement at each reporting date and/or grant date (which is also the vesting date).

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

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

Date of measurement of options awarded	31 December 2012	31 December 2013
Fair value	S$0.24	S$0.35
Share price	S$1.00	S$1.05
Exercise price	S$0.91	S$0.91
Expected volatility	41.93%	40.03%
Expected dividend rate	2.33%	2.18%
Risk-free interest rate	2.50%	2.50%
Expected life (weighted average)	3.5 years	4 years

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

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

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16 SHARE-BASED PAYMENT ARRANGEMENTS (CONT'D)

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

	2013 Weighted average exercise price	2013 No. of options ('000)	2012 Weighted average exercise price	2012 No. of options ('000)
At 1 January	S$0.91	5,262	S$0.91	5,860
Granted during the year	–	–	–	–
Forfeited during the year	S$0.91	(1,817)	S$0.91	(598)
At 31 December	S$0.91	3,445	S$0.91	5,262
Number of options exercisable at 31 December		–		–

The weighted average contractual life, in years, of the options outstanding are as follows:

	Weighted average contractual life 2013 Years	2012 Years
31 December	6.4	7.7

The exercisability of the outstanding options at 31 December 2012 and 2013 is conditional on the service and non-market performance conditions, as stipulated in the share-based payment programme, being met.

17 FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Loans and receivables	1,091,046	1,283,489	1,053,986	1,217,095
Cash and cash equivalents	56,299	81,144	52,617	75,290
	1,147,345	1,364,633	1,106,603	1,292,385

Notes to the Financial Statements

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17 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (Cont'd)

Impairment losses

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

	2013		2012	
	Gross US$'000	Impairment losses US$'000	Gross US$'000	Impairment losses US$'000
Group				
Not past due	1,065,901	–	1,256,130	–
1 – 30 days	395	–	4,050	–
31 – 90 days	237	–	244	–
Over 90 days	4,460	(4,276)	5,616	(5,049)
	1,070,993	(4,276)	1,266,040	(5,049)
Company				
Not past due	1,028,881	–	1,194,045	–
1 – 30 days	395	–	–	–
31 – 90 days	197	–	–	–
Over 90 days	4,460	(4,276)	5,601	(5,049)
	1,033,933	(4,276)	1,199,646	(5,049)

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

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
At 1 January	5,049	4,276	5,049	4,276
Impairment loss recognised	–	773	–	773
Reversal of impairment loss	(55)	–	(55)	–
Impairment loss written off	(718)	–	(718)	–
At 31 December	4,276	5,049	4,276	5,049

Notes to the Financial Statements

Year ended 31 December 2013

17 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

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

		Cash flows	
	Carrying amount US$'000	Contractual cash flows US$'000	Within 1 year US$'000
Group			
2013			
Non-derivative financial liabilities			
Trade and other payables#	985,950	(985,950)	(985,950)
Loans and borrowings	28,609	(28,766)	(28,766)
Derivative financial liabilities			
Oil commodity derivatives*	25,912	(25,912)	(25,912)
	1,040,471	(1,040,628)	(1,040,628)
2012			
Non-derivative financial liabilities			
Trade and other payables#	1,148,255	(1,148,255)	(1,148,255)
Loans and borrowings	1,666	(1,668)	(1,668)
Derivative financial liabilities			
Oil commodity derivatives*	28,904	(28,904)	(28,904)
	1,178,825	(1,178,827)	(1,178,827)
Company			
2013			
Non-derivative financial liabilities			
Trade and other payables#	936,689	(936,689)	(936,689)
Intra-group financial guarantees**	876	(18,609)	(18,609)
Derivative financial liabilities			
Oil commodity derivatives*	25,912	(25,912)	(25,912)
	963,477	(981,210)	(981,210)
2012			
Non-derivative financial liabilities			
Trade and other payables#	1,102,697	(1,102,697)	(1,102,697)
Intra-group financial guarantees**	1,216	(11,755)	(11,755)
Derivative financial liabilities			
Oil commodity derivatives*	28,904	(28,904)	(28,904)
	1,132,817	(1,143,356)	(1,143,356)

Excludes derivative financial liabilities, advance receipts and intra-group financial guarantees.
* The carrying amount and the contractual cash flows relate to the negative fair value of the derivative financial instruments.
** Intra-group financial guarantees issued to trade suppliers and bank

Notes to the Financial Statements

Year ended 31 December 2013

17 FINANCIAL INSTRUMENTS (CONT'D)

Currency risk

Exposure to currency risk

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

	Singapore dollar US$'000	Renminbi US$'000	Hong Kong dollar US$'000	British pound US$'000
Group				
2013				
Trade and other receivables	429	4	–	–
Cash and cash equivalents	1,909	4,515	93	149
Trade and other payables	(4,265)	(196)	(371)	–
	(1,927)	4,323	(278)	149
2012				
Trade and other receivables	805	239	476	–
Cash and cash equivalents	403	3,896	138	601
Trade and other payables	(3,799)	(191)	(2,860)	(58)
	(2,591)	3,944	(2,246)	543
Company				
2013				
Trade and other receivables	429	4	–	–
Cash and cash equivalents	1,885	3,417	–	–
Trade and other payables	(4,256)	(196)	–	–
	(1,942)	3,225	–	–
2012				
Trade and other receivables	805	239	–	–
Cash and cash equivalents	400	3,875	–	–
Trade and other payables	(3,792)	(191)	–	–
	(2,587)	3,923	–	–

Sensitivity analysis

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

	Group Profit/(loss)		Company Profit/(loss)	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Singapore dollar	193	259	195	259
Renminbi	(432)	(394)	(323)	(392)
Hong Kong dollar	28	225	–	–
British pound	(15)	(54)	–	–

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

Notes to the Financial Statements

Year ended 31 December 2013

17 FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk

Profile

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Fixed rate instruments				
Financial assets	39,624	46,233	39,624	46,233
Financial liabilities	(28,609)	(1,666)	–	–
	11,015	44,567	39,624	46,233

Fair value sensitivity analysis

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

Fair values

Fair values versus carrying amounts

The carrying amounts of the Group and Company's financial instruments carried at cost or amortised cost approximate their fair values as at 31 December 2013 and 31 December 2012 because of the short period to maturity.

Fair value hierarchy

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

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

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group and Company				
31 December 2013				
Derivative financial assets	–	24,329	–	24,329
Derivative financial liabilities	–	(25,912)	–	(25,912)
	–	(1,583)	–	(1,583)
31 December 2012				
Derivative financial assets	–	22,498	–	22,498
Derivative financial liabilities	–	(28,904)	–	(28,904)
	–	(6,406)	–	(6,406)

The valuation techniques and the inputs used in the fair value measurements of the financial instruments are disclosed in note 24.

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Year ended 31 December 2013

17 FINANCIAL INSTRUMENTS (CONT'D)

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's and the Company's statement of financial position and are subject to an enforceable master netting agreement or similar agreement.

The Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association (ISDA) 2002 Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other.

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the tables below are measured in the statement of financial position on the following bases:

– Trade receivables and trade payables - amortised cost; and

– Oil physical and paper derivative instruments - fair value.

The amounts in the table that are offset in the statement of financial position are measured on the same basis.

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements

Group and Company
31 December 2013

Types of financial assets	Gross amounts of recognised financial assets US$'000	Gross amounts of recognised financial liabilities offset in the statement of financial position US$'000	Net amounts of financial assets presented in the statement of financial position US$'000
Trade receivables	718,713	(143,890)	574,823
Oil physical derivative instruments	22,377	–	22,377
Oil paper derivative instruments	4,570	(2,618)	1,952
Total	745,660	(146,508)	599,152

Types of financial liabilities	Gross amounts of recognised financial liabilities US$'000	Gross amounts of recognised financial assets offset in the statement of financial position US$'000	Net amounts of financial liabilities presented in the statement of financial position US$'000
Trade payables	1,042,237	(143,890)	898,347
Oil physical derivative instruments	24,426	–	24,426
Oil paper derivative instruments	4,104	(2,618)	1,486
Total	1,070,767	(146,508)	924,259

Notes to the Financial Statements

Year ended 31 December 2013

17 FINANCIAL INSTRUMENTS (CONT'D)

Offsetting financial assets and financial liabilities (Cont'd)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements (Cont'd)

Group and Company
31 December 2012

Types of financial assets	Gross amounts of recognised financial assets US$'000	Gross amounts of recognised financial liabilities offset in the statement of financial position US$'000	Net amounts of financial assets presented in the statement of financial position US$'000
Oil physical derivative instruments	19,566	–	19,566
Oil paper derivative instruments	3,372	(440)	2,932
Total	22,938	(440)	22,498

Types of financial liabilities	Gross amounts of recognised financial liabilities US$'000	Gross amounts of recognised financial assets offset in the statement of financial position US$'000	Net amounts of financial liabilities presented in the statement of financial position US$'000
Oil physical derivative instruments	28,396	–	28,396
Oil paper derivative instruments	948	(440)	508
Total	29,344	(440)	28,904

18 REVENUE

	Group 2013 US$'000	Group 2012 US$'000
Revenue from middle distillates	12,456,025	13,106,088
Revenue from other oil products	3,115,843	1,701,896
	15,571,868	14,807,984

Included in revenue is net loss of US$14,561,000 (2012: net loss of US$21,036,000) recognised in relation to derivative financial instruments.

Notes to the Financial Statements

Year ended 31 December 2013

19 PROFIT FOR THE YEAR

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

	Group	
	2013	2012
	US$'000	US$'000
Other income		
Interest income	208	192
Foreign exchange gain (net)	896	556
Others	61	52
	1,165	800
Audit fees paid and payable to:		
– auditor of the Company	(250)	(262)
– other auditors	(168)	(127)
Non-audit fees paid and payable to auditor of the Company	(113)	(71)
Reversal of allowance/(allowance) for impairment loss on doubtful debts	55	(773)
Depreciation for the year	(796)	(780)
Amortisation for the year	(1,003)	(104)
Operating lease expense	(26,438)	(17,840)
Staff costs	(19,671)	(13,053)
Contributions to defined contribution plans, included in staff costs	(274)	(260)
Share-based payment, included in staff costs	271	(217)

20 FINANCE COSTS

	Group	
	2013	2012
	US$'000	US$'000
Bank charges	3,301	4,300
Interest expenses	1,998	1,344
	5,299	5,644

Notes to the Financial Statements

Year ended 31 December 2013

21 INCOME TAX EXPENSE/(CREDIT)

	Group 2013 US$'000	Group 2012 US$'000
Current tax expense		
Current year	269	363
Deferred tax expense		
Origination and reversal of temporary differences	1,657	1,107
Recognition of previously unrecognised tax losses	(1,617)	(4,308)
	40	(3,201)
Withholding tax expense	1,899	2,222
Total tax expense/(credit)	2,208	(616)

Reconciliation of effective tax rate

	Group 2013 US$'000	Group 2012 US$'000
Profit before income tax	72,424	65,573
Tax using Singapore tax rate of 17% (2012: 17%)	12,312	11,147
Effects of tax rates in foreign jurisdictions	(2)	(10)
Tax effects of revenue at concessionary tax rate	(3,114)	(2,686)
Effects of results of associates presented net of tax	(7,901)	(7,342)
Expenses not deductible for tax purposes	631	361
Recognition of previously unrecognised tax losses	(1,617)	(4,308)
Withholding tax expense	1,899	2,222
	2,208	(616)

The Company was granted concessionary rate of tax under the Global Trader Programme (GTP), which was renewed for a period of 5 years from 1 August 2010 to 31 July 2015. Under the GTP, income derived from qualifying trading transactions of approved products by the Company is taxed at the concessionary rate of 5% instead of the normal statutory rate of 17%. This incentive is granted subject to the achievement of certain business volume and other terms and conditions.

Notes to the Financial Statements

Year ended 31 December 2013

22 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of US$70,216,000 (2012: US$66,189,000), and a weighted average number of ordinary shares outstanding of 860,184,000 (2012: 860,184,000).

Profit attributable to ordinary shareholders

	2013 US$'000	2012 US$'000
Basic and diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders	70,216	66,189

Weighted average number of ordinary shares

	2013 Number of shares ('000)	2012 Number of shares ('000)
Issued ordinary shares at 1 January*	716,821	716,821
Effect of bonus shares issue**	143,363	143,363
Weighted average number of ordinary shares at 31 December	860,184	860,184

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of US$70,216,000 (2012: US$66,189,000), and a weighted average number of ordinary shares outstanding of 860,184,000 (2012: 860,184,000).

Weighted average number of ordinary shares (diluted)

	2013 Number of shares ('000)	2012 Number of shares ('000)
Weighted average number of ordinary shares (basic)*	716,821	716,821
Effect of bonus shares issue**	143,363	143,363
Weighted average number of ordinary shares (diluted)	860,184	860,184

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding. The outstanding share options were assessed to be anti-dilutive for the years ended 31 December 2012 and 2013.

* Excludes 6,000,000 ordinary shares held as treasury shares.

** The basic and diluted earnings per share are adjusted for transactions that adjust the number of shares without a corresponding change in resources. The effects of the bonus shares, issued on 10 March 2014, which is before the financial statements are authorised for issue, have been included in the basic and diluted earnings per share calculation for the years ended 31 December 2012 and 2013.

Notes to the Financial Statements

Year ended 31 December 2013

23 OPERATING SEGMENTS

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

- *Middle distillates*: Jet fuel and gas oil supply and trading
- *Other oil products:* Fuel oil and petrochemicals products supply and trading
- *Investments in oil-related assets:* Investments in oil-related assets through the Group's holdings in associates

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

	Middle distillates US$'000	Other oil products US$'000	Investment in oil-related assets US$'000	Total US$'000
2013				
Revenue	12,456,025	3,115,843	–	15,571,868
Gross profit	41,011	11,480	–	52,491
Other operating expenses	(14,596)	(1,268)	(4,746)	(20,610)
Depreciation and amortisation	(1,799)	–	–	(1,799)
Foreign exchange gain	896	–	–	896
Interest income	208	–	–	208
Other income	54	3	4	61
Finance costs	(2,581)	(2,717)	(1)	(5,299)
Share of profits of associates (net of income tax)	–	–	46,476	46,476
Tax expense	(377)	–	(1,831)	(2,208)
Reportable segment profits after income tax	22,816	7,498	39,902	70,216
Reportable segment total assets	1,036,309	269,523	268,758	1,574,890

Notes to the Financial Statements

Year ended 31 December 2013

23 OPERATING SEGMENTS (CONT'D)

	Middle distillates US$'000	Other oil products US$'000	Investment in oil-related assets US$'000	Total US$'000
2012				
Revenue	13,106,088	1,701,896	–	14,807,984
Gross profit	40,699	2,051	–	42,750
Other operating expenses	(9,161)	(1,730)	(3,745)	(14,636)
Depreciation and amortisation	(884)	–	–	(884)
Foreign exchange gain	556	–	–	556
Interest income	192	–	–	192
Other income	52	–	–	52
Finance costs	(3,374)	(2,269)	(1)	(5,644)
Share of profits of associates (net of income tax)	–	–	43,187	43,187
Tax credit/(expense)	2,740	–	(2,124)	616
Reportable segment profits/(losses) after income tax	30,820	(1,948)	37,317	66,189
Reportable segment total assets	982,573	418,711	249,056	1,650,340

Notes to the Financial Statements

Year ended 31 December 2013

23 OPERATING SEGMENTS (CONT'D)

Geographical segments

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

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

Geographical information	Revenue US$'000	Non-current assets** US$'000
2013		
People's Republic of China	8,508,881	228,450
South Korea	80,936	34,311
United States of America	324,769	935
Hong Kong	2,127,038	5,300
Indonesia	1,263,275	–
Singapore	1,664,134	8,957
Malaysia	360,950	–
Other countries	1,241,885	–
	15,571,868	277,953
2012		
People's Republic of China	7,921,741	214,280
South Korea	4,091	34,595
United States of America	235,019	938
Hong Kong	2,950,217	931
Indonesia	1,031,474	–
Singapore	932,242	8,151
Malaysia	239,962	–
Other countries	1,493,238	–
	14,807,984	258,895

** Excludes deferred tax assets

Major customers

Revenue from two customers (2012: three customers) of the middle distillates segment for the supply of jet fuel amounting to approximately US$5,847,717,000 (2012: US$5,949,475,000), represents 38% (2012: 40%) of the Group's total revenue.

Notes to the Financial Statements

Year ended 31 December 2013

24 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk management framework

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

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

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

Credit risk

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

Trade and other receivables

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

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

At 31 December 2013, there was no significant concentration of credit risk except for amounts receivable due from 2 (2012: 3) major customers amounting to US$152,659,000 (2012: US$565,569,000) which accounted for 27% (2012: 74%) of the Group's gross trade receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Notes to the Financial Statements

Year ended 31 December 2013

24 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

In respect of the Group's associates, there was an amount due from a major customer amounting to US$129,855,000 (2012: US$114,471,000), which accounted for 43% (2012: 38%) of the associate's total trade receivables. Except for this receivable, there was no significant concentration of credit risk.

Guarantees

The maximum exposure of the Company in respect of the intra-group financial guarantees (see note 14 and 15) at the end of the reporting period is if the facility is drawn down by the subsidiary in the amount of $20,000,000 (2012: $10,000,000) and the credit facility extended by the suppliers defaulted. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantees.

Liquidity risk

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

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

Interest rate risk

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

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

Foreign currency risk

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

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

Market risk

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

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

Notes to the Financial Statements

Year ended 31 December 2013

24 FINANCIAL RISK MANAGEMENT (CONT'D)

Commodity price risk

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

Sensitivity analysis

A change of 10% in oil forward price at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as the financial year ending 31 December 2012.

	Profit or loss	
	10% increase US$'000	10% decrease US$'000
2013		
Oil physical and paper derivative instruments	(1,483)	1,483
2012		
Oil physical and paper derivative instruments	(2,620)	2,620

The Group considers holding oil inventory as part of their overall trading strategy. An increase of 10% in the fair value of oil inventory would have increased profit or loss by US$11,020,000 (2012: US$1,557,000). A 10% weakening of the fair value of oil inventory would have an equal but opposite effect on oil inventory.

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

Estimation of fair values

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

Derivative financial instruments

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

Other financial assets and liabilities

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

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25 CONTINGENT LIABILITIES

Claim of customs duties and value added tax

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

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

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

Although an agreement to settle this claim has not been reached as at the end of the current financial year, the accumulated claim indicated by the customer has been substantially reduced. The Management of SPIA assessed that the possibility of repaying the claim amount to be low.

Fishery damage compensation

The construction of its Korean storage terminal affected the fishermen operating near to the storage terminal site. OKYC has entered into settlement agreements with the fishermen to pay them compensation sums as determined by the local government. Based on the terms of the settlement, the compensation sums are to be determined by an independent appraiser. As at 31 December 2013, the compensation amount is still under evaluation by the independent appraiser and as such cannot be estimated reliably. Management of OKYC expects to pay the compensation amount once it has been finalised by the independent appraiser.

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26 ACQUISITION OF SUBSIDIARIES

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

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

Finalisation of purchase price allocation computation

The Group finalised the purchase price allocation for the acquisition of CAOHK and NAFCO during the current financial year. The retrospective adjustments to the provisional purchase price allocation were as follows:

	Note	As previously reported US$'000	Fair value adjustments US$'000	As restated US$'000
Property, plant and equipment	4	67	–	67
Deferred tax assets		4	–	4
Customer contracts	5	–	634	634
Inventories		3,121	–	3,121
Trade and other receivables		57,455	–	57,455
Cash and cash equivalents		7,009	–	7,009
Tax payable		(446)	–	(446)
Trade and other payables		(53,291)	–	(53,291)
Net identifiable assets and liabilities acquired		13,919	634	14,553
Goodwill on acquisition	5			1,181
Cash consideration paid, satisfied in cash				15,734
Cash acquired				(7,009)
Net cash outflow				8,725

Acquisition-related costs

In prior years, the Group incurred acquisition-related costs of US$423,000 related to external legal fees and due diligence costs.

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27 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Within one year	21,612	3,130	21,226	2,950
Between one and five years	30,141	855	29,933	855
	51,753	3,985	51,159	3,805

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

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

Notes to the Financial Statements

Year ended 31 December 2013

28 RELATED PARTIES

Key management personnel compensation

Key management personnel compensation comprises:

	Group 2013 US$'000	Group 2012 US$'000
Directors' fees	509	485
Directors' remuneration	717	669
Key executive officers' remuneration	2,513	2,911
Share-based payments	–	80
	3,739	4,145

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

	Group 2013 US$'000	Group 2012 US$'000
Related corporation of a corporate shareholder		
Sale of jet fuel	645,580	1,216,091
Sale of petrochem	43,809	95,008
Sale of gas oil	–	195,764
Purchase of jet fuel	865,333	1,435,882
Purchase of fuel oil	37,181	–
Purchase of petrochem	11,739	–
Related corporations		
Sale of jet fuel	3,441,494	3,264,846
Sale of petrochem	–	7,767
Purchase of jet fuel	194,061	139,518
Associate		
Sale of jet fuel	2,406,223	2,684,629
Storage tank rental	6,930	–
Subsidiary		
Provision of guarantees	876	1,216

Notes to the Financial Statements

Year ended 31 December 2013

29 ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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

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

Key source of estimation uncertainty

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

Valuation of trade receivables

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

Valuation of investments in associates

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

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

Valuation of goodwill on consolidation

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

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

Income taxes

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

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

Notes to the Financial Statements

Year ended 31 December 2013

29 ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES (CONT'D)

Fair value of derivative financial instruments

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

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

30 SUBSEQUENT EVENTS

Bonus shares issue

On 10 March 2014, the Company issued one new ordinary share for every five existing ordinary shares held in the capital of the company at no consideration ("Bonus Shares issuance"). There is no financial impact arising from the bonus shares as they are issued at nil consideration without capitalisation of the Company's reserves.

Supplementary Information

INTERSTED 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	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Sales revenue from related corporations	–	–	3,441,494	3,272,613
Sales revenue from related corporation of a corporate shareholder	–	–	689,389	1,506,863
Purchases from related corporations	–	–	194,061	139,518
Purchases from related corporation of a corporate shareholder	–	–	914,253	1,435,882
Services rendered from related corporation of a corporate shareholder	–	–	544	508
Loss from trading of derivative financial instruments with related corporation of a corporate shareholder	–	–	727	2,983
Supply chain services rendered from related corporation	–	–	5,154	2,967
Supply chain services rendered from related corporation of a corporate shareholder	–	–	356	249
Supply chain services provided to related corporation of a corporate shareholder	–	–	–	588
Transportation revenue earned by associate from related corporations	–	–	9,324	9,939
Loan granted by associate to related corporation	8,377	6,524	–	–
Principal deposited with interested person	5,749	2,668	–	–
Loan granted to a corporate shareholder	9,846	–	–	–

Statistics of Shareholdings

As at 12 March 2014

Number of Issued Shares	:	866,183,628
Number of Issued Shares (excluding Treasury Shares)	:	860,183,628 ordinary shares
Number/Percentage of Treasury Shares	:	6,000,000 (0.69%)
Class of Shares	:	Ordinary Shares
Voting Rights (excluding Treasury Shares)	:	1 vote per share

Based on information available to the Company as at 12 March 2014, 28.53%[(1)] of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

Note: [(1)] Percentage is calculated on the total number of 860,183,628 issued shares excluding treasury shares

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	2,365	15.76	1,234,095	0.14
1,000 – 10,000	8,152	54.32	33,143,841	3.85
10,001 – 1,000,000	4,473	29.81	153,931,847	17.90
1,000,001 AND ABOVE	17	0.11	671,873,845	78.11
TOTAL	15,007	100.00	860,183,628	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS Vickers Securities (Singapore) Pte Ltd	443,464,844	51.55
2	BP Investments Asia Limited	173,476,942	20.17
3	DBS Nominees (Private) Limited	9,683,196	1.13
4	United Overseas Bank Nominees (Private) Limited	7,229,779	0.84
5	OCBC Securities Private Limited	6,988,714	0.81
6	Citibank Nominees Singapore Pte Ltd	4,836,955	0.56
7	HSBC (Singapore) Nominees Pte Ltd	4,616,695	0.54
8	UOB Kay Hian Private Limited	4,262,444	0.50
9	Lee Fook Choy	3,000,000	0.35
10	Bank Of Singapore Nominees Pte. Ltd.	2,440,224	0.28
11	Phillip Securities Pte Ltd	2,354,913	0.27
12	OCBC Nominees Singapore Private Limited	2,073,899	0.24
13	CIMB Securities (Singapore) Pte. Ltd.	1,999,640	0.23
14	Chng Gim Huat	1,800,000	0.21
15	Kang Hian Soon	1,398,000	0.16
16	Lam Yew Chong	1,167,600	0.14
17	Ler Hock Seng	1,080,000	0.13
18	Citibank Consumer Nominees Pte Ltd	992,776	0.12
19	Maybank Kim Eng Securities Pte. Ltd.	786,682	0.09
20	Goh Geok Loo	780,000	0.09
	Total	674,433,303	78.41

SUBSTANTIAL ORDINARY SHAREHOLDERS

(As shown in the Register of Substantial Shareholders as at 12 March 2014)

No.	Name	No. of Shares: Direct Interest	No. of Shares: Deemed Interest	%
1	China National Aviation Fuel Group Corporation	–	441,332,912*	51.31
2	BP Investments Asia Limited	173,476,942	–	20.17

* China National Aviation Fuel Group Corporation is deemed to have an interest in 441,332,912 shares of CAO held by DBS Vickers Securities (Singapore) Pte Ltd.

Notice of Annual General Meeting

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
Incorporated in the Republic of Singapore
Company Registration No.199303293Z

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of the Company will be held at NTUC Centre, 1 Marina Boulevard, Level 7, Auditorium, Singapore 018989 on Thursday, 24 April 2014 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 2013 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 2013. **(Resolution 2)**

3. To approve Directors' Fees of S$638,249 for the year ended 31 December 2013 (2012: S$590,900) **(Resolution 3)**

4. To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:-
   Dr. Wang Kai Yuen **(Resolution 4)**
   Mr. Ang Swee Tian **(Resolution 5)**

5. To record the retirement of Mr. Liu Fuchun who is retiring pursuant to Article 91 of the Company's Articles of Association and will not be seeking re-election as a Director of the Company.

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

AS SPECIAL BUSINESS

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

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

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

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

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

Notice of Annual General Meeting

Provided that :

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 15% of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding at the time of the passing of this Resolution; and

(b) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 7)**

8. That:

(a) approval be and is hereby given for the renewal of, and amendments to, the shareholders' general mandate (which was last renewed at the extraordinary general meeting of the Company held on 25 April 2013) for the Company, its subsidiaries and associated companies which fall within the definition of entities at risk under Chapter 9 of the Listing Manual or any of them to enter into any of the transactions falling within the categories of interested person transactions set out in **Annex II** to the Company's Letter to Shareholders dated 28 March 2014 (the "**Letter**"), with any party who is of the class or classes of interested persons described in **Annex II** to the Letter, provided that such transactions are made on normal commercial terms and are not prejudicial to the Company and its minority shareholders, and are entered into in accordance with the review procedures for interested person transactions as set out in **Annex II** to the Letter (such shareholders' general mandate, as amended, hereinafter called the "**IPT Mandate**");

(b) the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or until the date on which the next annual general meeting of the Company is required by law to be held, whichever is the earlier;

Notice of Annual General Meeting

(c) the audit committee of the Company (comprising independent directors Mr Ang Swee Tian, Dr Wang Kai Yuen and Mr Liu Fuchun, and non-independent, non-executive directors Dr Zhao Shousen and Mr Alan Haywood as at the date of the Letter) be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by Singapore Exchange Securities Trading Limited (the "**SGX-ST**") from time to time; and

(d) the directors of the Company (the "**Directors**") and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the IPT Mandate. **(Resolution 8)**

9. That:

(a) for the purposes of the Companies Act (Chapter 50 of Singapore) (the "**Companies Act**"), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire fully paid issued ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted (the "**Other Exchange**"); and/or

(ii) off-market purchase(s) if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held; and

(ii) the date by which the next annual general meeting of the Company is required by law to be held; and

(c) the Directors and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the Share Purchase Mandate.

Notice of Annual General Meeting

For the purposes of this Resolution:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) market days, on which transactions in the Shares on the SGX-ST were recorded, before the day on which a market purchase was made by the Company or, as the case may be, the date of the announcement of the offer pursuant to an off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant period of five (5) market days;

"**Maximum Limit**" means that number of issued Shares representing ten per cent. (10%) of the total number of Shares excluding treasury shares as at the last annual general meeting or as at the date of the passing of this Resolution (whichever is the higher); and

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(a) in the case of an on-market purchase of a Share, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and

(b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, one hundred and ten per cent. (110%) of the Average Closing Price of the Shares. **(Resolution 9)**

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

BY ORDER OF THE BOARD

Doreen Nah
Company Secretary

Singapore
28 March 2014

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 22 April 2014.

Notice of Annual General Meeting

Explanatory Notes:

Resolution 4 Dr. Wang Kai Yuen will upon re-appointment, continue as Deputy Chairman of the Board and Lead Independent Director, as Chairman of the Remuneration Committee and as a member of the Audit Committee and Nominating Committee. He is considered an Independent Director. There is no relationship (including immediate family relationships) between Dr. Wang and the other Directors or the Company.

Resolution 5 Mr. Ang Swee Tian will upon re-appointment, continue as Chairman of the Audit Committee and as a member of the Remuneration Committee, Nominating Committee and Risk Management Committee. He is considered an Independent Director. There is no relationship (including immediate family relationships) between Mr. Ang and the other Directors or the Company.

Upon the retirement of Mr. Liu Fuchun as an Independent Director of the Company at the conclusion of this Annual General Meeting, Mr. Liu will concurrently cease to be the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.

Resolution 7 Resolution 7 is to authorise the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting, to issue shares in the Company. The aggregate number of shares which the Directors may issue under this Resolution shall not exceed fifty per cent (50%) of the issued shares (excluding treasury shares) in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders shall not exceed fifteen per cent. (15%) of the issued shares (excluding treasury shares) in the capital of the Company. The percentage of issued share capital is based on the Company's issued shares (excluding treasury shares) in the capital of the Company at the time this proposed Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion of convertible securities or share options on issue at the time this proposed Ordinary Resolution is passed; and (b) any subsequent consolidation or subdivision of shares.

Resolution 8 Resolution 8 is to approve the amendment of, and the renewal of the mandate to permit the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual of the SGX-ST), or any of them, to enter into certain types of interested person transactions with certain classes of interested persons as described in the Appendix to the Notice of Annual General Meeting of the Company dated 28 March 2014.

Resolution 9 Resolution 9 is to renew the mandate to permit the Company to purchase or acquire issued ordinary shares in the capital of the Company on the terms and subject to the conditions of the Resolution.

The Company may use internal sources of funds, or a combination of internal resources and external borrowings, to finance the purchase or acquisition of its ordinary shares. The amount of funding required for the Company to purchase or acquire its ordinary shares and the impact on the Company's financial position cannot be ascertained as at the date of this Notice of Annual General Meeting as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares were purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled. The Company will not rely on external borrowings to finance purchases or acquisitions of its ordinary shares to such extent that it would materially affect the financial position, working capital requirements or investment ability of the Group.

Notice of Annual General Meeting

Article 91 of the Articles of Association of the Company

Every Director shall retire from office once every three years and for this purpose, at each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

Notice of Book Closure Date and Payment Date for Final Dividend (One-Tier, Tax- Exempt) ("Dividend")

The Company gives notice that, subject to the approval of the shareholders to the Dividend at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed on 9 May 2014 for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 12 May 2014. Duly completed registered transfers of ordinary shares in the capital of the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 before 5.00 p.m. on 8 May 2014, 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 2014.

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

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

PROXY FORM

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

I/We, ____

of ____

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

Name	NRIC/Passport	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her/them, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the 20th Annual General Meeting of the Company, to be held at NTUC Centre, 1 Marina Boulevard, Level 7, Auditorium, Singapore 018989 on Thursday, 24 April 2014 at 3:00 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	To adopt Directors' Report and Audited Financial Statements		
2	To declare a First and Final (One-Tier, Tax Exempt) Dividend		
3	To approve Directors' fees for the financial year ended 31 December 2013		
4	To re-elect Dr Wang Kai Yuen as a Director		
5	To re-elect Mr Ang Swee Tian as a Director		
6	To appoint Auditors and authorize Directors to fix their remuneration		
	Special Business		
7	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited		
8	To approve the Proposed Renewal of, and Amendments to, the General Mandate for Interested Person Transactions		
9	To approve the Proposed Renewal of the Share Purchase Mandate		

Dated this ______________ day of _________________ 2014

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

____

Signature of Shareholder(s) or
Common Seal of Corporate Shareholder

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in section 130A of the Companies Act, Cap.50 of Singapore), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by the member.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Temasek Boulevard, #31- 02, Suntec Tower Three, Singapore 038988 not less than 48 hours before the time appointed for the Meeting.

Fold along this line (1) Glue all sides firmly. Stapling & spot sealing is disallowed.

Affix
Postage
Stamp

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

Fold along this line (1) Glue all sides firmly. Stapling & spot sealing is disallowed.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Corporate Information (as at 18 March 2014)

DIRECTORS

SUN LI
Chairman / Non-Independent, Non-Executive Director

WANG KAI YUEN
Deputy Chairman / Lead Independent Director

MENG FANQIU
Chief Executive Officer / Executive Director

ANG SWEE TIAN
Independent Director

CHEN LIMING
Non-Independent, Non-Executive Director

ALAN HAYWOOD
Non-Independent, Non-Executive Director

LIU FUCHUN
Independent Director

LUO QUN
Non-Independent, Non-Executive Director

ZHAO SHOUSEN
Non-Independent, Non-Executive Director

AUDIT COMMITTEE

ANG SWEE TIAN
Chairman

ZHAO SHOUSEN
Vice Chairman

WANG KAI YUEN
LIU FUCHUN
ALAN HAYWOOD

REMUNERATION COMMITTEE

WANG KAI YUEN
Chairman

LUO QUN
Vice Chairman

LIU FUCHUN
CHEN LIMING
ANG SWEE TIAN

NOMINATING COMMITTEE

LIU FUCHUN
Chairman

LUO QUN
Vice Chairman

WANG KAI YUEN
CHEN LIMING
ANG SWEE TIAN

RISK MANAGEMENT COMMITTEE

ALAN HAYWOOD
Chairman

ZHAO SHOUSEN
ANG SWEE TIAN

COMPANY SECRETARY

DOREEN NAH

AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants
(Appointed on 28 April 2006)

Partner in charge:
ANG FUNG FUNG
(Since financial year 2011)

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

BOARDROOM CORPORATE
& ADVISORY SERVICES PTE. LTD.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS

ABN AMRO Bank, N.V., Singapore Branch
Agricultural Bank of China, Singapore Branch
Australia and New Zealand Banking Group Limited, Singapore Branch
Bank of China Limited, Singapore Branch
Bank of Communications Co., Ltd, Singapore Branch
China Construction Bank, Singapore Branch
China Development Bank, Hongkong Branch
Crédit Agricole, Singapore Branch
DBS Bank Ltd
Industrial and Commercial Bank of China Limited, Singapore Branch
ING Bank N.V., Singapore Branch
JP Morgan Chase Bank, N.A. (Singapore Branch)
Société Générale, Singapore Branch
United Overseas Bank Limited
Westpac Banking Corporation, Singapore Branch

REGISTERED OFFICE

8 Temasek Boulevard
#31-02 Suntec Tower Three
Singapore 038988
Tel : (65) 6334 8979
Fax : (65) 6333 5283
Website : www.caosco.com

公司信息（截至2014年3月18日）

董事

孙立
董事长/非独立、非执行董事

王家園
副董事长/首席独立董事

孟繁秋
首席执行官/执行董事

汪瑞典
独立董事

陈黎明
非独立、非执行董事

ALAN HAYWOOD
非独立、非执行董事

刘福春
独立董事

罗群
非独立、非执行董事

赵寿森
非独立、非执行董事

审计委员会

汪瑞典
主席

赵寿森
副主席

王家園
刘福春
ALAN HAYWOOD

薪酬委员会

王家園
主席

罗群
副主席

刘福春
陈黎明
汪瑞典

提名委员会

刘福春
主席

罗群
副主席

王家園
陈黎明
汪瑞典

风险管理委员会

ALAN HAYWOOD
主席

赵寿森
汪瑞典

公司秘书

蓝肖蝶

外部审计师

KPMG LLP
Public Accountants and Chartered Accountants
（受聘于2006年4月28日）

负责合伙人：
洪芳芳（从2011财年起）

股票登记处和转让处

BOARDROOM CORPORATE
& ADVISORY SERVICES PTE. LTD.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

主要银行

ABN AMRO Bank, N.V., Singapore Branch
Agricultural Bank of China, Singapore Branch
Australia and New Zealand Banking Group Limited, Singapore Branch
Bank of China Limited, Singapore Branch
Bank of Communications Co., Ltd, Singapore Branch
China Construction Bank, Singapore Branch
China Development Bank, Hongkong Branch
Crédit Agricole, Singapore Branch
DBS Bank Ltd
Industrial and Commercial Bank of China Limited, Singapore Branch
ING Bank N.V., Singapore Branch
JP Morgan Chase Bank, N.A. (Singapore Branch)
Société Générale, Singapore Branch
United Overseas Bank Limited
Westpac Banking Corporation, Singapore Branch

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
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传真：(65) 6333 5283
网址：www.caosco.com

China Aviation Oil (Singapore) Corporation Ltd
中国航油（新加坡）股份有限公司
A subsidiary of China National Aviation Fuel Group Corporation
中国航空油料集团公司子公司

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Company Registration No.: 199303293Z