



8 Temasek Boulevard #31-02
Suntec Tower Three, Singapore 038988
Tel: (65) 6334 8979 Fax: (65) 6333 5283
Incorporated in the Republic of Singapore
Co. Reg. No.: 199303293Z

RESPONSES TO QUESTIONS RECEIVED FOR ANNUAL GENERAL MEETING 2023

China Aviation Oil (Singapore) Corporation Ltd (“**CAO**” or the “**Company**”) wishes to announce that as at the deadline for the submission of questions by shareholders, the Company had not received any substantial and relevant questions from its shareholders in relation to its 29th Annual General Meeting (“**29th AGM**”) which will be convened and held on Thursday, 27 April 2023.

The Company would like to thank the Securities Investors Association (Singapore) for submitting their questions in advance of the 29th AGM. Accordingly, please find below the responses from the Company.

Question 1. In FY2022, the total sales volume of jet fuel for Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd (SPIA) decreased by 30.6% to 1.774 million metric tons (MT). The CEO's strategic report attributes this decline to the 81% reduction in passenger throughput at Pudong Airport due to the COVID-19 pandemic.

China eased its COVID restrictions and removed entry requirements in December 2022 and January 2023, resulting in expectations of improved business performance in 2023.

(i) How much insight does the group have into the day-to-day operations at SPIA and can management help shareholders understand how SPIA is capitalising on China's re-opening?

Response:

SPIA owns and operates all refuelling facilities at Pudong Airport, as well as providing services relating to the procurement, transportation, storage, testing, sales, and refuelling of jet fuel. With China gradually resuming long-haul flights to Europe and the United States following its reopening, demand for bonded jet fuel would increase, and this will in turn lead to an increase in SPIA's sales volume as bonded jet fuel supply is one of SPIA's core businesses.

(ii) What are the main factors that determine the number of flights at Pudong Airport?

Response:

Flights at Pudong Airport can be categorised into domestic and international flights. The former is directly linked to domestic demand and influenced by increased consumer confidence as a result of China's economic recovery. At present, domestic flights have gradually recovered to 90% or higher of pre-pandemic levels over the same period in 2019. International flight frequency has similarly shown steady recovery following China's re-opening of its borders albeit at a slower pace compared to domestic flights due to greater administrative formalities involved in resuming international flights.



(iii) Based on management’s knowledge, are there any operational bottlenecks in Pudong Airport or SPIA after three years of reduced activity?

Response:

The decline in SPIA’s business activities was mainly due to the impact of the pandemic which had severely affected the global aviation sector. As the pandemic is gradually brought under control, flights at Pudong Airport and SPIA’s business volume are recovering progressively. To our knowledge, there are no known operational bottlenecks in either.

(iv) Separately, the group consolidated CNAF Hong Kong Refuelling Limited (“CNAF HKR”) after increasing its stake to 68%. How will management work to enhance the performance of CNAF HKR?

Response:

The capital injection into CNAF HKR has given the Group greater control over CNAF HKR’s operations, which has in turn enabled the Group to advance the establishment of an integrated jet fuel supply cum refuelling business model at the Hong Kong International Airport. The Management seeks to leverage on the Company’s core advantages and industry experience in oil trading and aviation marketing, as well as the recent commissioning of the third runway at Hong Kong International Airport, and upcoming synergistic development of the airport cluster in Greater Bay Area to enable CNAF HKR to secure more earnings accretive business. The Group will continue to enhance the performance of CNAF HKR and strive for sustainable growth by seeking ways to increase revenue and optimise operating costs and expenses.

(v) Separately, can management help shareholders understand the financial instruments used in its hedging, such as the oil physical/paper derivative instruments, purchase contracts?

Response:

The Company continues to conduct all financial derivatives-related businesses in strict compliance with the relevant requirements of the Company’s Risk Trading Manual. All financial derivatives instruments used in its hedging have been approved by the Board of Directors and the Risk Management Committee, and these include using major crude oil and refined oil products futures, swaps, etc., to hedge the risk exposure of physical cargo contracts.

Question 2. The group, in its ongoing efforts to advance its sustainability objectives, is actively expanding its product offerings to include sustainable aviation fuel (“SAF”). It successfully obtained the necessary accreditations, specifically ISCC CORSIA and ISCC EU, in the second half of 2022 to more effectively participate in the SAF industry.

The company will actively source for supply resources in Asia and China Aviation Fuel (Europe) Limited will develop the sales channels at European airports.

(i) For the benefit of shareholders, could management provide more details on the types and sources of SAF, as well as the typical reduction in emissions achieved by using SAF?

Response:

SAF can be divided into two categories based on the feedstock used namely, biofuels and synthetic fuels. Biofuels are derived from organic feedstock such as used cooking oils, animal fats, household waste and energy crops, while synthetic fuels are manufactured from carbon dioxide captured in air or industrial emissions. The latter is currently still at an experimental phase, while the production of hydro-processed esters and fatty acids (“HEFA”) using biomass such as



cooking oil is already a mature technology and can be produced industrially. Nevertheless, other emerging SAF production methods, such as gasification, converting household waste to jet fuel, converting ether to jet fuel, and converting wood waste such as discarded pallets and forestry residues to SAF, are expected to be more established within the next decade. According to the International Air Transport Association (“IATA”), SAF can reduce carbon emissions by 80% compared to conventional fossil fuel while maintaining flight power.

(ii) What is the company’s strategy for securing supplies of SAF in Asia?

Response:

The Company’s strategies mainly include securing long-term supply contracts with Asian SAF producers including China, entering into global strategic cooperation agreements with international SAF suppliers, and seeking suitable investment opportunities to participate in the production of SAF in Asia.

(iii) Does the group possess a first mover advantage in SAF?

Response:

The Company’s competitive advantage in SAF are mainly reflected in three areas: (1) Leveraging on CAO’s long-term and stable business partnerships with Chinese and international airlines to expand its current jet fuel supply business to include SAF; (2) Working closely with domestic and international counterparties as well as riding on the growing demand for clean energy in China to carry out SAF business; (3) CAO together with its wholly owned subsidiary, China Aviation Fuel (Europe) Limited, had successfully attained the necessary accreditation for participation in the SAF industry including ISCC CORSIA and ISCC EU in the second half of 2022.

Question 3. The attendance of directors at board and board committee meetings is shown on page 104 of the annual report and reproduced below.

Attendance at Meetings of the Board, Board Committees and Independent Directors for the financial year ended 31 December 2022:

Name of Director	Board Meetings	Board Committee Meetings				Independent Directors’ Meeting
		Audit	Nominating	Remuneration	Risk Management	
Gong Feng	4	N.A.	N.A.	N.A.	N.A.	N.A.
Teo Ser Luck	4	4	1	N.A.	3	1
Shi Lei ¹	4	N.A.	0	2	1	N.A.
Zhang Yuchen ²	4	3	0	N.A.	2	N.A.
Wang Yanjun ³	4	N.A.	N.A.	N.A.	N.A.	N.A.
Hee Theng Fong	4	4	N.A.	3	3	1
Fu Xingran	4	4	1	3	N.A.	1
Jeffrey Goh Mau Seong	4	N.A.	1	3	3	1
Richard Yang Minghui	4	4	N.A.	3	N.A.	N.A.
Number of Meetings Held	4	4	1	3	3	1

Notes:

- 1 Mr Shi Lei was unable to attend due to prior engagements.
- 2 Mr Zhang Yuchen was unable to attend due to prior engagements.
- 3 Mr Wang Yanjun retired as an Executive Director on 15 March 2023.

(Source: company annual report)



(i) Apart from than scheduling conflicts, were there any other extenuating circumstances that resulted in the directors being absent from the board committee meetings?

Response:

In line with the Company's corporate governance practices, all members of the Board and Board Committees of the Company are strongly encouraged to attend each meeting of the Board and meetings of Board Committees on which they serve ("**Board Committee Meetings**"), either in person or by means of telephone conference, video conference or by other electronic means in which all persons participating in the meeting can communicate with each other. While Directors of the Company based in Singapore attend all Board meetings and Board Committee Meetings physically in Singapore, all other Directors of the Company based in China, had preferred to attend the meetings of the Board and Board Committees via video conference due to China's strict COVID-19 policy and mandatory quarantine requirements for international arrivals entering China last year.

Board Committee Meetings for the relevant quarter of the financial year 2022 were held on the same day whilst the Board meeting for the relevant quarter was held on the day after the Board Committee Meetings for the relevant quarter.

Directors namely, Mr Shi Lei and Mr Zhang Yuchen, who are Non-Executive, Non-Independent Directors of the Company nominated by China National Aviation Fuel Group Limited ("**CNAF**"), a major shareholder of the Company, are based in China. As senior management executives of CNAF and relevant to their respective principal commitments, both Mr Shi and Mr Zhang had to attend the 5th China International Import Exposition which was held in November 2022 in Shanghai. Due to this conflict in schedule, both Mr Shi and Mr Zhang were not able to attend the Board Committee Meetings held on 9 November 2022. Also, Mr Shi was not able to attend a Risk Management Committee Meeting held in May 2022 due to health reasons.

(ii) It had been disclosed that all board meetings (including board committee meetings) for each year are scheduled in July of the preceding year to facilitate the directors' individual administrative arrangements regarding any competing commitments.

Would the effectiveness of the directors and the board committees be impaired if they have not attended the board meetings that were scheduled in advance?

Response:

The Company has put in place a streamlined board and committee structure, with clear written terms of reference setting out their compositions, authorities and duties. Each of the Board Committees comprise 5 members, the majority of whom, including the Chairman, are Independent, Non-Executive Directors. The Board and Board Committees compose of a heterogeneous and diverse mix of members in terms of skills, knowledge, expertise, regional and industry experience, age, cultural and geographical background.



The Company also has in place an effective board information infrastructure and internal communication processes between the Board and the Management which would enable Directors to make informed decisions and effectively discharge their duties and responsibilities. These include the dispatch of the agenda for meetings and all meeting papers for discussion to the Directors at least 10 days before the day of the meeting so that the Directors will have sufficient time to prepare for the meeting. Directors may raise any questions relevant to the agenda for the meeting prior to the day of the meeting or at the relevant meetings and the Management and senior executives of the Company would answer any of these questions in a timely manner. In addition, updates on the operational and financial performance of the Group are sent to the Directors on or about the 15th day of each month.

Given the aforesaid considerations, the effectiveness of the Board and the Board Committees would not be impaired if they had not attended any of the meetings of the Board and Board Committees that were scheduled in the month of July of the preceding year. Also, as a matter of good governance, all Directors would be required to provide prior notice to the Chairman of the Board or the Chairman of the Committee, as applicable, if such Director is unable to attend a Board or Committee meeting.

(iii) Separately, what were the key findings and recommendations from the most recent board evaluation?

Response:

As disclosed in the Statement of Corporate Governance of the 2022 Annual Report of the Company, the Nominating Committee conducts a formal board performance evaluation annually to assess the effectiveness of the Board as a whole, each of its Board Committees, and individual Directors.

Based on the findings from the analysis and evaluation of the results from ratings allocated by members of the Nominating Committee from the most recent Board evaluation exercise conducted in 2022, the Nominating Committee concluded that the Board performed its roles and responsibilities appropriately and effectively. Key findings included:

- (1) The Board is of the right size. The proportion of non-executive (outside) directors to executive (inside) directors in the Board is appropriate.
- (2) The Board's mix of expertise or skills are being properly applied to various issues that come before the Board.
- (3) The frequency of the reports on the Company's performance and financial reports given to the Board is adequate.
- (4) The Board receives information concerning the Board agenda items in a timely fashion.
- (5) The Board receives clear and concise background information prior to the Board meetings that helps the Board members to understand, evaluate and make good decisions on the Board agenda items.



- (6) The financial statements provided to the Board prior to Board meetings contain the information needed to understand the important issues and trends in the businesses and that such information had been presented in such a way as to highlight these important issues and trends.
- (7) The Board has satisfactorily identified and communicated to management the Board's informational needs, including the need for appropriate benchmarks to monitor results and identify potential areas of concern regarding performance.
- (8) The number of Board meetings held in a year is adequate and that Board meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues.
- (9) The Board focuses with management on the few high-profile risk issues that could have a significant impact on the Company.
- (10) The Board knows and understands the Company's values, mission and strategic and business plans and reflects this understanding on key issues and major concerns of the Company throughout the year.
- (11) Board members spend sufficient time learning about the Company's business and understand it well enough to provide critical oversight and guide the Company's performance not just year-to-year but in the long term.
- (12) Board members have sufficient access to officers outside of Board meetings.
- (13) The Company's orientation programme for new directors provided helpful information about the Board process and the Company.

Key recommendations from the most recent board performance evaluation are summarised as follows:

- (1) The Board already has an effective governance framework in place which provided a sound basis for strategic leadership and oversight at the Board level. The right mix of experiences, skills and expertise of the Board members also contributed to the sustainable growth and development of the Company. To further enhance the quality and effectiveness of the meetings of the Board and Board Committees, ample opportunity should be created for high-level and more reflective engagement by Directors in their deliberations of critical issues at board meetings.
- (2) A slightly lower average rating was given in regard to whether the Board has an adequate degree of independence as compared to last year's average rating. It was suggested that there might be a need for further consideration on whether the existing number of independent directors represented in the Board should be increased to further enhance the independence element in the Board. This would also enable the Company to comply with the requirements of Provision 2.2 of the 2018 Code of Corporate Governance which requires majority board independence where the Chairman of the Board is not independent.