On Track
步入轨道

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
Subsidiary of China National Aviation Fuel Holding Company

中国航油（新加坡）股份有限公司
中国航空油料集团公司成员企业

2006 Annual Report 年度报告

Corporate Profile

China Aviation Oil (Singapore) Corporation Ltd ("CAO") was incorporated in Singapore on 26 May 1993. It became a public listed company on 6 December 2001.

The single largest shareholder of CAO is China National Aviation Fuel Holding Company ("CNAF"), formerly known as China Aviation Oil Holding Company ("CAOHC"), one of the largest state-owned enterprises in China. CNAF owns 51% of the Company's shares. BP Investments Asia is also a strategic investor of CAO, owning 20% of CAO shares.

The Company's current principal activities are jet fuel procurement and investment holdings in strategic oil-related businesses. The Company is preparing to resume its trading operations when it has all the appropriate risk management and organisation structures in place.

We will also continue to seek investment opportunities in assets that are synergetic to our core business.

公司简介

中国航油（新加坡）股份有限公司（简称“CAO”）于1993年5月26日在新加坡注册成立，2001年12月6日成为上市公司。

CAO最大股东是中国航空油料集团公司（“CNAF”），之前的英文简称为CAOHC，这是中国大型国有企业之一。CNAF持有CAO 51%的股份。BP投资亚洲公司是CAO的战略投资者，持有 CAO 20% 的股份。

公司目前主要业务是航油采购和实业投资。CAO正准备重新恢复油品国际贸易业务，但这项业务只有在相应的风险管理和组织结构全部到位后才能开始运作。

CAO也正在继续寻找能同公司核心业务产生协同效应的实业投资机会。

Content

02 Corporate Information
03 Our Strategic Goal
04 Chairman's Statement
15 Board of Directors
20 Operations Review by Head of Special Task Force
Our Business:
28 a. Jet Fuel Procurement
30 b. SPIA Aviation Fuel Supply Company
32 Risk Management
35 Financial Review
38 Our Past Year Journey to Recovery
40 Proposed Director
41 Senior Management
45 Statement of Corporate Governance
57 Financial Statements
95 Shareholding Information
96 Notice of AGM
101 Proxy Form

内容

02 公司信息
10 战略目标
11 董事长献辞
15 董事会
24 特别工作组组长业务回顾
公司业务：
29 a. 航油采购
31 b. 上海浦东国际机场航空油料公司
34 风险管理
37 业绩回顾
38 公司恢复重建历程：过去一年的里程碑
40 提名董事
41 高级管理层
45 公司治理
57 财务报告
95 股权结构
96 常年股东大会通告
101 代理表格

Taking Off

The first steps we took to steer our company back to profitability has shown positive results.

Corporate Information

As at 19 March 2007

DIRECTORS

Lim Jit Poh
(Independent Chairman)
Zhao Shousen
(Deputy Chairman)
Yang Chuan
(Executive Director)
Liu Fuchun
(Independent Director)
Lee Suet Fern
(Independent Director)
Paul Reed
(Non-Executive, Non-Independent Director)
* Appointed on 9 June 2006
Meng Fanqiu
(Non-Executive, Non-Independent Director)
Michael Bennetts
(Non-Executive, Non-Independent Director)
* Appointed on 1 January 2007
Dr Wu Shen Kong
(Non-Executive, Non-Independent Director)
* Resigned on 1 January 2007
Ian Springett
(Non-Executive, Non-Independent Director)
* Resigned on 9 June 2006

BOARD COMMITTEES

Audit Committee

Lee Suet Fern *(Chairperson)*
Zhao Shousen *(Vice-Chairman)*
Lim Jit Poh
Liu Fuchun
Paul Reed

REMUNERATION COMMITTEE

Lim Jit Poh *(Chairman)*
Zhao Shousen *(Vice-Chairman)*
Lee Suet Fern
Liu Fuchun
Michael Bennetts

NOMINATING COMMITTEE

Liu Fuchun *(Chairman)*
Zhao Shousen *(Vice-Chairman)*
Lim Jit Poh
Lee Suet Fern
Michael Bennetts

DISCLOSURE COMMITTEE

Lee Suet Fern *(Chairperson)*
Zhao Shousen
Michael Bennetts

RISK MANAGEMENT COMMITTEE

Lim Jit Poh *(Chairman)*
Zhao Shousen
Paul Reed

MANAGEMENT

Senior Officers Meeting

Lim Jit Poh *(Chairman)*
Gu Yanfei
Yang Chuan
Zhang Xingbo
Philippe Cote
Tee Siew Kim

Special Task Force

Gu Yanfei *(Head)*
Yang Chuan *(Deputy Head)*
Zhang Xingbo *(Deputy Head)*

COMPANY SECRETARY

Chang Choon Siew Adrian Mark

AUDITORS

KPMG
Partner in charge (since 2006): Roger Tay

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Lim Associates (Pte) Ltd
3 Church Street #08-01
Samsung Hub
Singapore 049483

BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
ING Bank N.V.
The Bank of Tokyo-Mitsubishi UFJ, Ltd
Fortis Bank S.A./N.V.
United Overseas Bank Limited
Bank of Communications
Hongkong & Shanghai Banking Corporation Ltd

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2007年3月19日

董事

林日波（独立董事长）
赵寿森（副董事长）
杨川（执行董事）
刘福春（独立董事）
林学芬（独立董事）
Paul Reed（非执行、非独立董事）
* 2006年6月9日加入董事会
孟繁秋（非执行、非独立董事）
Michael Bennetts（非执行、非独立董事）
* 2007年1月1日加入董事会
吴先康博士（非执行、非独立董事）
* 2007年1月1日辞职离开董事会
Ian Springett（非执行、非独立董事）
* 2006年6月9日辞职离开董事会

董事会委员会

审计委员会

林学芬（主席）
赵寿森（副主席）
林日波
刘福春
Paul Reed

薪酬委员会

林日波（主席）
赵寿森（副主席）
林学芬
刘福春
Michael Bennetts

提名委员会

刘福春（主席）
赵寿森（副主席）
林日波
林学芬
Michael Bennetts

披露委员会

林学芬（主席）
赵寿森
Michael Bennetts

风险管理委员会

林日波（主席）
赵寿森
Paul Reed

管理层

高级办公室会议

林日波（主席）
顾炎飞
杨川
张兴波
Philippe Cote
郑秀琴

特别工作组

顾炎飞（组长）
杨川（副组长）
张兴波（副组长）

公司秘书

张俊秀

外部审计师

KPMG
负责合伙人（2006年起）:
Roger Tay

股票注册和转让处

Lim Associates (Pte) Ltd
3 Church Street #08-01
Samsung Hub
Singapore 049483

银行

Agricultural Bank of China
Industrial and Commercial Bank of China
ING Bank N.V.
The Bank of Tokyo-Mitsubishi UFJ, Ltd
Fortis Bank S.A./N.V.
United Overseas Bank Limited
Bank of Communications
Hongkong & Shanghai Banking Corporation Ltd

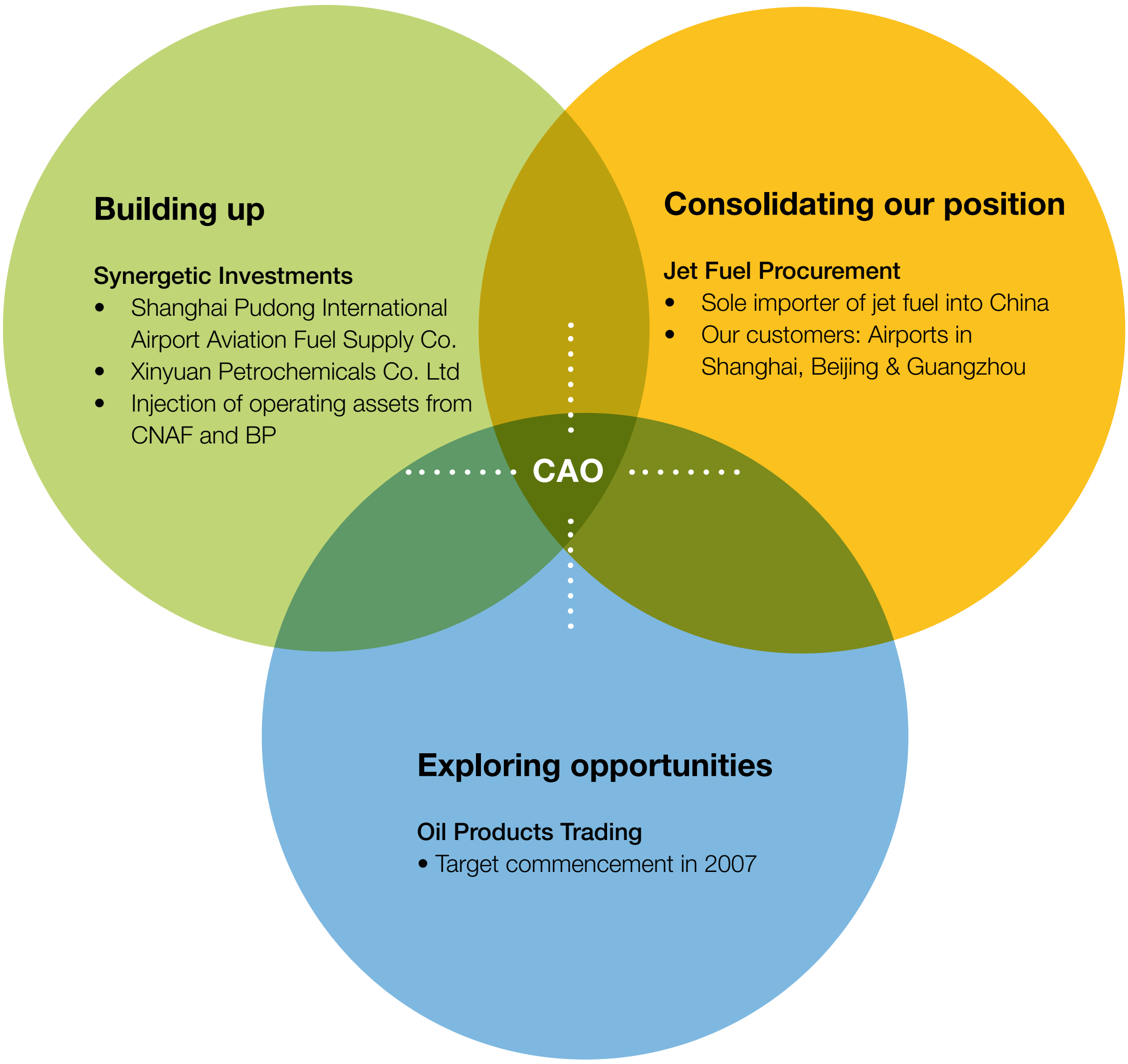
注册办公室

8 Temasek Boulevard
#31-02 Suntec Tower Three
Singapore 038988
Tel: (65) 6334 8979
Fax: (65) 6333 5283
Website: www.caosco.com

Our Strategic Goal

"We aim to become an internationally competitive energy company, optimised by synergetic energy trading and asset investments, characterised by integrity and driven by innovation."

Our Strategy



Chairman's Statement

The year ahead is likely to be exciting. The gas and oil industry will continue to be buoyant and volatile. We are ready to meet the challenges as our system and people are in place.

To Our Shareholders

A New Board

Immediately after the Extraordinary General Meeting ("EGM") of 3 March 2006 where eight new Directors were elected, work started. The Board, which I head as Non-Executive Independent Chairman, comprises five Non-Independent Directors who represent the two major shareholders – China Aviation Oil Holding Company, now renamed China National Aviation Fuel Holding Company ("CNAF") and BP Investments Asia Limited ("BP") – and three independent Directors. Of the three, two reside in Singapore and one resides in the People's Republic of China ("PRC"). It is indeed a well-balanced Board given the special circumstances in which it was formed – having just restructured itself after a major financial crisis and resumed trading of its shares on the Singapore Exchange.

Corporate Governance

The first important task of the new Board was to consider the Report of the Corporate Governance Assessment Committee ("CGAC"), a Committee set up by the previous Board, as part of the Singapore Exchange's requirements for resuming the trading of the Company's shares. This was an easy decision to make, as majority of the five-member CGAC (including the Chairman) was also part of the new team of Directors. It was therefore not surprising that all the recommendations of the Report were accepted for implementation and those that could be implemented had, in fact, been carried out. These constituted the bulk of them.

The implementation process was also audited by an outsourced internal auditor to give shareholders an added degree of confidence. The only important recommendation that has yet to be implemented is the appointment of the Chief Executive Officer ("CEO"). At the time of writing, this position is still vacant.

The Board is assisted by five committees, of which three are mandated under the Code of Corporate Governance. These are the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC"). The other two, namely the Risk Management Committee ("RMC") and the Disclosure Committee ("DC"), are recommended by the CGAC. The RMC and DC have been put in place to rectify the shortcomings of the previous Board and management.

In the absence of a CEO, a Senior Officers Meeting ("SOM") was formed to carry out the decisions of the Board and to conduct the day-to-day affairs of the Group. I chair the SOM together with the Head of the Special Task Force ("STF"), an Executive Director and other key management staff as members.

During the year, a total of six Board meetings and 26 SOM meetings were held. The five Board standing committees also held more meetings compared to other companies to dwell on the urgent and important issues under their purview.

Creditors' Scheme

The Creditors' Scheme, approved at the EGM held on 3 March 2006 and an important component to the restructuring of the Company, was successfully implemented with three interest payments made during the year. These amounted to US$5.3 million.

To meet the obligations of the first principal payment of US$62.2 million due in March 2007, the Company entered into a conditional agreement in January 2007 to sell our 5% stake in Compania Logistica de Hidrocarburos, S.A. ("CLH"). The consideration was €171 million or S$342 million, and this resulted in a handsome profit of approximately S$183 million after taking into consideration applicable taxes and estimated transaction costs.

These actions were part of the plan approved at the EGM to resuscitate the Company. The balance of the deferred debts now stands at US$132.2 million. Plans are underway to make use of the surplus proceeds from the sale of CLH to repay our debts with the creditors earlier than scheduled.

Major Tasks

Whilst the Company lost the services of two key personnel – the CEO and the Head of Finance – during the crisis, steps were immediately taken to fill the gaps. Efforts were also promptly undertaken to build on the excellent work of the STF.

The Board has seized the unique opportunity to be directly involved with the various major functions and duties of the Group. Its critical tasks were to execute the various assignments spelt out in the Circular to shareholders dated 8 February 2006, as well as to effect the implementation of the recommendations of the CGAC Report. The next crucial stage is to plan and map out an overall developmental strategy for the Group. Until these have been completely settled with some details, it is not advisable to appoint a CEO yet.

(*Top*) Operation room for distribution of jet fuel and (*Bottom*) oil tanks.

Development Strategy: Jet Fuel Procurement

I am pleased to advise that after a thorough review and debate at the Board level, it has been decided that as our developmental strategy and direction, the Company, being a subsidiary of CNAF, should position itself as a leading international oil-trading company. The three core business components associated with it shall be:

(i) procurement of jet fuel;
(ii) engagement in trading of relevant oil products; and
(iii) investment in synergetic activities to enhance (i) and (ii).

The first pillar of jet fuel procurement has been in existence before and after the crisis. We continued this business in 2006 with greater momentum. With adequate financial resources and proper assessment of risk in place, the Company resumed this activity by using the principal method of procurement versus the agency method employed during the uncertain period of the crisis.

As demand for jet fuel in the PRC grew rapidly, the Company procured a record volume of 4.66 million metric tonnes in 2006 compared to 3.04 million metric tonnes in 2005, an increase of 53%.

Jet fuel tenders in 2006 were undertaken using two models. For the first five months, we adopted the agency method which recognised only the commission received as our income. For the remaining seven months, we adopted the principal approach where we recognised the total transaction value as income, which was rather large. As we did not use the principal method in 2005, it is not appropriate to compare the Group's revenue between the year under review and the previous year. A better yardstick would be, as indicated earlier, the total volume procured.

Prior to the revival of the principal method, management took great pains to formulate a detailed administrative procurement system including an analysis of the risk profile. A set of procedures was developed to ensure that relevant risks were appropriately considered. The procedures were also submitted to the RMC and thence to the Board for final approval before implementation. This process highlights the approach and style that the new Board is advocating – nothing shall be undertaken by the management without prior approval from the Board.

I am pleased to advise that an internal audit was also carried out to ensure that the procedures were indeed satisfactorily complied with. During the year, seven periodic tender exercises were conducted using the revised procedures.

Developmental Strategy: International Oil Trading

During the last quarter of the year, the Board began to consider how to establish the second core business of positioning the Company as an international oil-trading company. This was a more difficult task. Not only do we require a well-constructed trading system and qualified personnel to man it, we also require sufficient financial resources to ensure its viability. This is an assignment that we have no intention to rush into, and our risk appetite will only increase as we gain more experience and have adequately tested our system. At the time of writing, we have yet to engage in this activity.

Nonetheless, we have already started laying the groundwork. We have reviewed and evaluated the present arrangements. The RMC has gone through the administrative and financial procedures to ensure that this system has adequate built-in checks to enforce the necessary risk elements that need to be put in place. We expect to incur an amount of approximately US$1 million to construct a system specially tailored to suit our requirements. The Board has to approve the entire business process before we resume trading activities.

We have also reviewed and improved our Risk Management Manual to ensure that our traders are properly trained and disciplined. This again has to be approved by the RMC and the Board. In addition, we have to be satisfied that our Directors and relevant management staff, including those from our parent company in Beijing, thoroughly understand the full implications of the system and the nature and the risk of the business.

Developmental Strategy: Investment

We also reviewed our investment in Xinyuan Petrochemicals Co. Ltd, a non-core investment. In this respect we decided that it was to our benefit to sell a 41% equity stake to our fellow shareholder at the original cost, since the investment has been incurring losses. We reduced our stake from 80% to 39%. It is our belief that our partner can better drive this investment as it is based in the Guangdong Province.

We also took steps to liquidate Greater China Travel Industry (Singapore) Pte Ltd, a wholly-owned subsidiary of the Company.

Jet fuel procurement and international trading of oil products will not be complete if we do not have the third pillar of owning investments related to the nature of our businesses encompassed in the first two pillars. The business model of our associate, Shanghai Pudong International Airport Aviation Fuel Supply Company ("SPIA"), is well tested and rewarding. We shall try to pattern our future investments in this manner.

Let me use this opportunity to explain briefly the Shanghai business model. We own 33% of SPIA. The other two shareholders are Shanghai International Airport Co. Ltd and Sinopec Gaoqiao. SPIA imports oil through us and buys oil locally as well. It sells products to airlines operating in Shanghai Pudong International Airport, and caters to local airlines flying both domestic and international routes, as well as foreign airlines flying international routes.

The total volume of fuel supplied by SPIA in 2006 was huge at about 2.2 million metric tonnes, resulting in a turnover of RMB12.3 billion. Prices for domestic sales are controlled by the Civil Aviation and Administration of China ("CAAC"). Excluding the waiver of debts under the Creditors' Scheme, our share in SPIA contributed about 62% to our net profit in 2006.

Supplying jet fuel to aircrafts.


(Left and Right) Oil tank farms.

In order to accelerate the establishment of our third pillar, the Company looks forward to injections of viable assets by the two major shareholders as part of the Memorandum of Understanding signed during the crisis. This aspect of the Group's activities is possible only if we have the necessary financial resources, to which we have to find a longer-term solution. More importantly, the injected assets must be in line with our overall developmental strategy.

Financials

During the year, the Group achieved a total revenue of S$2.9 billion. Its profit before tax was S$374.4 million. This included an amount of S$311.6 million debts waived by the creditors under the Creditors' Scheme. Profit after tax was S$368.9 million. This represents an earnings per share of about S$0.62. Excluding the gain from the waiver of the debts, the Group's net profit after tax was S$57.3 million compared to S$29.4 million in 2005, which was an improvement of 95%.

Our net assets as at the end of the year was S$170.7 million compared to a net liability of S$659.2 million in 2005. Our net asset value per share is now S$0.236 compared to a deficit of S$0.681 a year ago. All these financials would not have been possible if not for the capital injections by CNAF, BP and Temasek as well as the decisions agreed with the creditors. We thank them whole-heartedly for their fine contributions.

Dividend

I am pleased to advise that the Board has decided to recommend for the approval of the shareholders at the forthcoming Annual General Meeting a dividend of S$0.02 per share. This is to demonstrate our appreciation to the shareholders for your loyalty, understanding, support and confidence in the Group.

Presentation Currency

As jet fuel business is normally expressed in the US dollar and our transactions are mostly in US dollars, the functional currency of the Company is the US dollar. To better reflect the economic substance of the Company's underlying activities, the Board has decided that with effect from 1 January 2007, our presentation currency shall be in US dollars as well. With this, we will avoid the foreign currency translation differences in our financial reporting. However, our shares shall continue to be quoted in the Singapore dollar. Dividend payments shall also be in Singapore dollars.

New Image

As a further streamlining of our image, we have adopted a new logo, which is the new logo of our parent company. It shall be used throughout our entities.

Appreciation

The Company has achieved much in a short span of nine months in 2006. A large part of the credit must go to the Directors who are scattered in three countries namely Singapore, PRC and the United Kingdom. I am therefore very grateful to my fellow Directors for working very tirelessly with me during the first critical year of our existence. Collectively with our expertise and experience, drawn both locally and internationally, we have been able to make decisions swiftly, objectively and fairly together with the management.

Pumping fuel into airplanes.

I am also very grateful to the State-Owned Assets Supervision and Administration Commission ("SASAC") of China for its assistance and guidance in reviving the Company and resolving some of the tail end activities post restructuring. My thanks also goes to the leadership of our parent company and their senior staff together with the senior staff of BP for their advice, guidance, understanding and cooperation during the critical stage of our rehabilitation.

To the management staff, I wish to single out Mdm Gu Yanfei, Head of STF, for her boundless energy in handling the various complicated key functions effectively and efficiently and projecting the Company to what it is today. She shouldered her responsibilities exceptionally well under very trying, difficult and sometimes even hostile conditions. The Board appreciates her efforts and her unique position in marshalling people from different backgrounds and experiences to work together as a team to achieve common goals in Singapore. I also wish to thank our Executive Director, Mr Yang Chuan, for the wise advice he has given me as I carry out my duties.

To you, the shareholders, I am very happy to note that you have given us the support to move forward. We remember and treasure it. We shall continue to work hard so as not to disappoint the trust that you have placed in us.

At the Board level, I am pleased that in the course of the year we have decided to appoint Mr Zhao Shousen, a nominee of CNAF, as our Deputy Chairman, after a thorough discussion at the NC. He was concurrently appointed the Vice-Chairman of the AC, RC and NC.

Though the directorship period of Mr Ian Springett, a nominee of BP, was short, I am grateful for his valuable contributions during the initial stage of our work. He had to step down because of a change of his duties within BP. I warmly welcome Mr Paul Reed, his replacement.

I regret that Dr Wu Shen Kong, another nominee of BP, had to step down at the end of 2006 upon his retirement as President of BP Singapore. We wish to thank him for his many valuable contributions, advice and guidance in our work, be it at the Board level or at the RC, NC and DC. We are going to miss him at these meetings. We wish him all the very best for his well deserved retirement. I welcome Mr Michael J Bennetts as his replacement.

I am fortunate that as Chairman, I have very capable and experienced personalities on the Board to assist me, in particular Mrs Lee Suet Fern and Mr Liu Fuchun, respectively as the Chairman of AC and NC. Their wealth of knowledge, experience and wisdom has guided me dearly in the course of my duty. The Group and I owe them a great deal of gratitude. I also wish to thank my other fellow Directors for their guidance, advice and cooperation in the course of my work.

I am also very grateful to our banks in demonstrating their confidence and trust in us moving forward. I am thankful to the many business associates who continue to actively participate in our tenders for jet fuel requirements. To our numerous clients in PRC, I am very appreciative of their understanding, commitment, cooperation and assistance in the course of our business undertakings. It is a sign of their continued confidence in us to supply jet fuel to them speedily both in quantity and quality.

Conclusion

The year ahead is likely to be exciting. The gas and oil industry will continue to be buoyant and volatile. We are ready to meet the challenges as our system and people are in place.

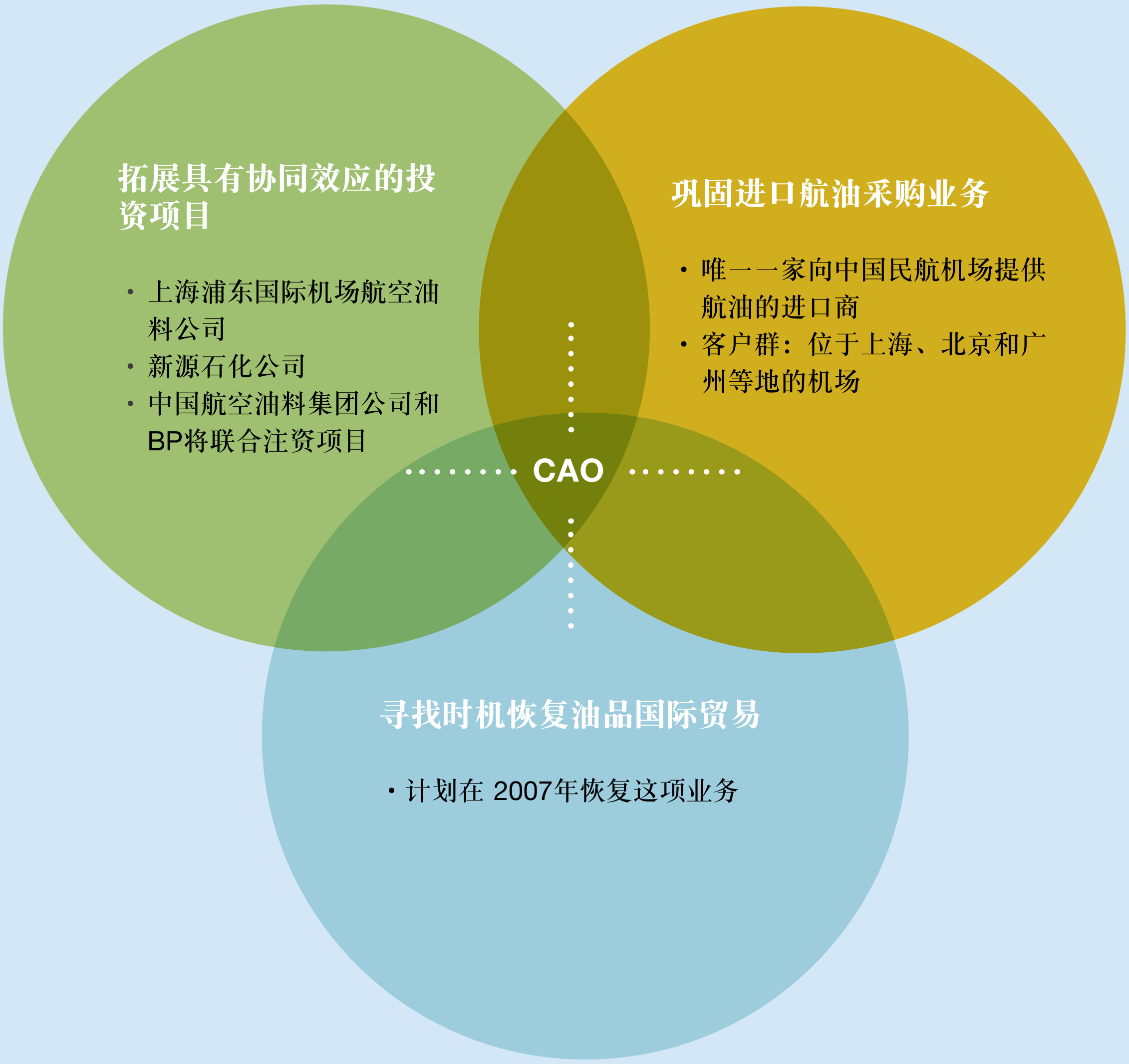
Moving forward we anticipate that the two major shareholders will continue to play critical roles in shaping the profile of the Group now that our developmental strategy has been crystallised and agreed upon.

Lim Jit Poh
Chairman

战略目标

“坚守诚信、勇于创新，成为具有跨国经营优势的能源贸易和实业投资协调发展型企业。”

公司战略



董事长献辞

尊敬的各位股东：

2006年3月3日，中国航油召开了特别股东大会，选举了8位新董事。我作为非执行独立董事长，领导董事会工作。两个主要股东中国航空油料集团公司和BP投资亚洲有限公司一共向公司委派5名董事；另外公司还任命了3位独立董事，其中，两位是新加坡公民，一位是中国公民。这届新的董事会是在特殊环境下产生的：公司刚刚摆脱严重的财务危机并完成重组；股票在新加坡交易所恢复交易。因此，这是一个结构均衡的董事会。

公司治理

新一届董事会的首要任务是认真领会公司治理评估委员会提交的治理评估报告。公司治理评估委员会是上届董事会根据新加坡交易所为公司股票恢复交易设定的要求而成立的。治理评估委员会包括主席共有5名成员，大部分成员后来被推举为公司新的董事，所以，报告中的大部分建议在新董事会中顺利通过并得以有效执行。外包的内部审计师审计了各项建议的执行过程，增强了股东的信心。治理报告中唯一没有执行的建议是有关总裁的任命，在起草这篇致辞时，这个职位仍然空缺。

董事会由5个委员会协助工作。3个是按照《公司治理条例》要求设立的，它们分别是审计委员会、薪酬委员会和提名委员会。两个是根据公司治理评估委员会的建议设立的，它们分别是风险管理委员会和披露委员会。成立这些委员会是为了修正过去董事会和管理层的缺陷。

由于总裁职位空缺，公司成立了高级办公会议来执行董事会的决策和处理日常事务。我担任高级办公会议主席，其他成员包括特别工作组组长、一名执行董事和其他重要管理人员。

2006年，新一届董事会共召开了6次董事会会议，公司召开的高级办公会议达26次之多。董事会下设的5个委员会也召开比其它公司更多次的会议，在其管理范围内处理紧急和重要的事务。

债务重组方案的落实

2006年3月3日特别股东大会批准的债务重组方案是公司重组的重要组成部分，董事会加以认真落实和执行。去年公司已3次支付利息，共计530万美元。第一笔6220万美元的本金于2007年3月到期。为了履行该项还款义务，2007年1月，公司签署出售CLH 5%股权的有条件协议，售价为1.71亿欧元（约

油罐

3.42亿新元），扣除税和估计交易成本后的利润大约为1.83亿新元。延期债务的余额现在为1.32亿美元。目前公司正在制定计划，利用出售CLH的收益提前向债权人还债。

主要任务

在公司恢复重建期间，公司缺少两名关键人员：总裁和财务主管，但董事会迅速采取步骤填补有关空缺，同时在特别工作组出色贡献的基础上继续努力工作。董事会在这种独特的条件下，直接参与公司的各项主要职能和责任，其首要任务包括履行2006年2月8日给股东的通报中提出的各项工作，同时执行公司治理评估报告中的建议。董事会下一步的重要工作是制定公司的整体发展战略。在完成这些任务之前，任命总裁是不恰当的。

发展战略：航油采购

我很高兴地通报，经过董事会全面的审议和讨论，作为中国航空油料集团公司的子公司，公司的发展战略和方向已定位为领先的国际石油贸易企业，而关联的3个核心业务将是：

(i)航油采购；
(ii)相关油品的国际贸易；以及
(iii)投资相关协作领域来加强(i)和(ii)。

无论在危机前还是在危机后，航油采购一直是公司首要支柱业务。这项业务在2006年以更强劲的势头继续增长。在财务资源和风险评估流程到位后，公司把重组时期的代理航油采购模式转换为主体模式，恢复了这项核心业务的活力。

由于中国民航机场对航空油料的需求增长迅猛，公司于2006年创纪录地采购了466万吨航油，与2005年的304万吨相比，增长了53%。2006年的招标是通过两种方式实现的：前5个月，公司采取代理模式，只是以佣金作为营业收入；之后的7个月，航油采购转换成主体模式，公司将整个交易价值纳入收入，使营业额大幅度提高。由于公司在2005年没有采取主体模式，所以，把公司2006年度的整体收入同上一年度的收入相比是不适当的。更好的可比数字应该是前面述说的航油采购数量。

在恢复主体模式之前，经过艰苦努力，管理层建立了周密的采购管理程序，包括风险评估系统。公司也制定了一套考虑到所有相关风险的程序。风险管理委员会在同意这项程序和风险评估系统后，再由董事会最后批准执行。这就是新董事会提倡的方式和方法。没有董事会的批准，管理层不能采取任何行动。

我很高兴地通报，公司对历次航油招标和采购程序进行了严格的内部审计，结果令人满意。本年度，按照修改了的程序，公司共进行了7次定期招标。

发展战略：油品国际贸易

在去年最后一个季度，董事会开始考虑如何恢复运作公司的第二项核心业务：油品国际贸易。这是一项更加困难的任务，不仅需要完善的贸易系统、合格的操作人员，还需要足够的财力资源来确保业务的正常运作。董事会不会匆忙启动这项业务，相反只有在积累更多经验、充分评估并检测所有系统安全可靠的情况下，才会考虑恢复油品国际贸易。截至我起草本文时，公司还未开展贸易活动。

尽管如此，公司已经开始为恢复油品国际贸易做了大量的基础工作。董事会审议和评估了现有安排。风险管理委员会将通过管理和财务程序来保证该系统的安全运作。这一系统必须拥有足够的能力来检验各种风险。董事会准备为这系统投入大约100万美元左右。董事会批准整个业务流程后，公司管理层才能恢复油品贸易活动。

我们也审议并改善了《风险管理手册》。这份手册能保证贸易员得到适当的培训和有效的约束。它也必须得到风险管理委员会和董事会批准。我们必须确保公司的各位董事和相关管理人


油库区(左图)和油料泵房区

员（包括来自北京母公司的人员）充分理解系统的复杂性和这项业务的性质和风险。

发展战略：实业投资

我们还重新审议了新源石化有限公司的投资项目，这是一项非核心投资项目。我们决定以成本价出售41%股份给合作股东。由于过去这项投资出现了亏损，因此出售部分股份对我们是有利的。公司的股权由80%降到39%。这一投资项目在中国广东境内，所以董事会相信合作伙伴可以做得更好。

航油采购和油品国际贸易不能完整地体现公司的整体支柱业务，公司的第三项支柱业务是与前两项支柱业务相关的实业投资。我们投资上海浦东国际机场航空油料有限责任公司（“浦东航油”)的业务模式是经过考验的，也是富有成果的。我们应该在将来努力推广这种模式。

请允许我利用这个机会简单解释一下浦东航油的业务模式。我们在浦东航油有33%的股权。另外两个股东是上海国际机场股份有限公司和中石化高桥石化公司。该公司通过我们进口航油，也在当地采购航油。它向在上海浦东机场的航空公司出售航油，航班包括国内航空公司的国内和国际航线，以及国际航空公司的国际航线。浦东航油在2006年供应了将近220万吨的航油，营业额为123亿元人民币。国内的销售价格是通过民航总局协调确定的。除去根据债务重组方案免去的债务，在我们2006年的净利中，浦东航油的股权投资收益占了大约62%。

为了加快建设第三项支柱业务的速度，公司希望根据在危机期间签署的谅解备忘录，由两个主要股东注入可行资产。我们必须拥有足够的资金，才有可能得以实施这项计划。我们必须寻找长期的解决方案。更重要的是，注入的资产必须符合我们的整体发展战略。

业绩

在过去的一年，公司实现了29亿新元的收入。税前利润为3.74亿新元。这包括根据债务重组方案免去的3.12亿新元。税后利润为3.69亿新元，这大约等于0.62新元的每股盈利。除去减免部分债务所得的收益，公司的实际利润为5730万新元，而2005年为2940万新元，增长了95%。

截至2006年年底，公司的净有形资产是1.71亿新元，而2005年是-6.59亿新元。每股净资产目前为0.236新元，而一年前为-0.681新元。如果没有中国航空油料集团公司、BP和淡马锡控股注入资本及债权人同意的那些决策，所有这些财务数据都不能实现。我们诚心诚意地感谢他们的杰出贡献。

股息

我很高兴的通报，董事会决定建议股东在年度股东大会上批准每股分红0.02新元的献议。这是为了感谢股东们对于公司的忠诚、理解、支持和信心。

报告货币

由于航油业务通常以美元报价，我们也主要以美元进行交易，所以公司的记帐货币是美元。为了更好的反映公司的实质业务活动，董事会决定从2007年1月1日开始，公司的报告货币也将转为美元。这样，我们可以避免外汇换算差额影响我们的财务报告。但是，我们的股票仍然用新元报价，分红也将用新元支付。

新形象

为了重新树立我们的形象，我们启用了与母公司中国航空油料集团公司一致的新的公司标识。新的标识将使用在所有实体和各类文件上。

致谢

在2006年短短9个月中，公司完成了很多工作。绝大部分要归功于董事会成员，他们分布在3个国家，即新加坡、中华人民共和国和英国。因此我非常感谢各位董事在董事会成立的关键第一年不知疲倦地同我一起工作。由于董事会拥有当地和国际的知识与经验，因此我们能够快速、客观、公平地与管理层一起做出决策。

我也非常感谢中国国有资产监督管理委员会（国资委）在公司重组中提供的帮助和指导。在重组结束阶段，国资委还帮助公司解决了一些收尾问题。我也感谢母公司的领导和高级管理人员以及BP的高级管理人员，感谢他们在重组和恢复重建阶段的建议、指导、理解和合作。

对于管理层，我特别要提及特别工作组组长顾炎飞女士，感谢她以旺盛的精力，高效率的完成了各项复杂而又艰巨的任务，实现了公司重组和恢复重建阶段一个又一个的既定目标。在非常艰苦的、艰难的，有时甚至是敌对的情况下，她出色地履行了自己的职责。董事会感谢她的努力和她在整合来自不同背景、拥有不同经验的人，一起在新加坡作为一个团队来工作，并实现共同的目标。我也感谢执行董事杨川先生，感谢他在我履行职责时给我睿智和建议。

对于你们，股东们，我非常高兴地注意到，你们给予我们向前努力的支持。我们会记住并珍惜你们的支持，并将继续努力工作，不会使你们失望。

在董事会层面，我很高兴的通报，经过提名委员会全面讨论，我们任命了母公司提名的赵寿森先生为董事会副董事长，同时他也被任命为审计委员会、提名委员会和薪酬委员会的副主席。

虽然BP提名的Ian Springett先生的任职时间很短，我感谢他在董事会开始阶段有价值的贡献。由于在BP内部的任职变动，他不得不离开公司董事会。我热烈欢迎他的继任者，Paul Reed先生。

我很遗憾BP提名的另一位非执行董事吴先康博士因在2006年底从BP新加坡公司退休而不得不辞去董事职务。我们感谢他对我们工作包括在董事会层面和薪酬委员会、提名委员会和披露委员会层面做出的很多有价值的贡献、建议和指导。我们祝愿他退休后一切如意，身体健康。我欢迎Michael Bennetts先生作为他的继任者。

身为董事长，我很幸运，因为董事会有非常能干和富有经验的董事一直协助我工作，尤其是林学芬女士和刘福春先生；他们分别担任审计委员会主席和提名委员会主席。他们丰富的知识、经验和智慧在我履行职责的过程中给我提供了巨大帮助。公司和我向他们致以深深的谢意。我也感谢我的董事会中的其他伙伴，感谢他们在我工作过程中给予的指导、建议和合作。

我也非常感谢与我们合作的银行对我们展现出的信心与信任。我感谢很多业务伙伴继续积极参与我们的航油招标。对于我们在中国国内的众多的客户，我们非常感谢他们给予的理解、信任、合作和帮助。这表明他们继续相信我们能迅速有效、保质保量地向他们供应航空燃料。

结束语

眼下之年相信会是精彩的一年。石油和天然气行业虽然不稳定但仍在继续快速地发展。我们已经准备好迎接挑战，我们的系统和人员都已到位。我们的发展战略已明确，我们的发展方向已达成共识，我们期望两个主要股东在公司发展的框架下继续发挥关键的作用。

林日波
董事长

Board of Directors
董事会

1. Lim Jit Poh 林日波
2. Zhao Shousen 赵寿森
3. Liu Fuchun 刘福春
4. Lee Suet Fern 林学芬
5. Yang Chuan 杨川
6. Paul Reed
7. Michael Bennetts
8. Meng Fanqiu 孟繁秋

Lim Jit Poh
Independent Chairman

Bachelor of Science (Honours) in Physics, University of Singapore; Masters of Education, University of Oregon, USA, Fulbright Scholar

Appointed on 28 March 2006 as Independent Chairman of the Board of Directors, Mr Lim also chairs the Remuneration Committee and the Risk Management Committee. He is a member of the Audit Committee and Nominating Committee.

Mr Lim is the Chairman of ComfortDelGro Corporation Limited, SBS Transit Ltd, VICOM Ltd, Ascott Residence Trust Management Limited, Sky China Petroleum Services Ltd and China Printing & Dyeing Holding Limited as well as a director of several other listed companies. Mr Lim is also a director of several unlisted companies under the ownerships of the Singapore Labour Foundation and Temasek Holdings Pte Ltd.

Mr Lim was a former top civil servant. He was awarded the Public Administration Medal by the Government of Singapore in 1972 and three awards by the National Trades Union Congress, namely Friend of Labour Award in 1986, Meritorious Service Award in 1990 and Distinguished Service Award in 2000. In 2006, he was also one of the recipients of the Distinguished Science Alumni Award from the National University of Singapore. Mr Lim is a trustee of the Singapore National Employers' Federation.

Zhao Shousen
Deputy Chairman, Non-Independent Director

Bachelor's degree (Financial Accounting), Shandong Economic Institute

Appointed on 28 March 2006 as Non-Executive and Non-Independent Director, Mr Zhao was appointed as Deputy Chairman of the Board of Directors on 9 June 2006. He is also the Vice-Chairman of the Audit Committee, the Remuneration Committee, and the Nominating Committee. He is a member of the Disclosure Committee and the Risk Management Committee.

Mr Zhao is a Senior Accountant (professor level) and Chief Accountant of CNAF. He joined Shengli Petroleum Administration ("SPA") in 1986, and had held several senior management positions, including Deputy Division Director of the Finance Division, Director of the Department of Finance and Assets, Director of the Finance Settlement Centre and Chief Accountant of SPA. Mr Zhao was appointed Director and Vice-President of Sinopec Shengli Oil Field Co. Ltd. ("SSOFC") in 2000, and subsequently as Director, Vice-President and Chief Accountant of SSOFC from 2001. He was appointed Chief Accountant of CNAF in 2006.

Mr Zhao is currently pursuing his doctorate degree.

Liu Fuchun
Independent Director

Graduated from Beijing Foreign Trade Junior College and Beijing Foreign Trade Institute, majoring in accounting and English, respectively

Appointed on 28 March 2006 as an Independent Director, Mr Liu is the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.

Mr Liu is a director and CEO of China National Cereals, Oils & Foodstuffs Corp ("COFCO"). Mr Liu was an officer of the General Office of COFCO and an executive at its U.S. representative office (1964 –1981). He was the Deputy Consul of Chinese Consular Section in Vancouver (1981 – 1985). He held several senior positions in COFCO and was appointed Vice-President, Managing Director, and Deputy CEO of COFCO from 1991 - 2000. He has been a director and CEO of COFCO since 2000.

Mr Liu holds the title of Senior International Commercialist awarded by the Ministry of Commerce of the PRC.

Lee Suet Fern
Independent Director

Master of Arts (Law) (double first), Cambridge University, U.K.; Barrister-at-law, Gary's Inn, London; Advocate and Solicitor of the Supreme Court of Singapore

Appointed on 28 March 2006 as an Independent Director, Mrs Lee is the Chairperson of the Audit Committee and the Disclosure Committee. She is also a member of the Remuneration Committee and the Nominating Committee.

Mrs Lee is the Senior Director of Stamford Law Corporation. She has extensive experience in corporate law in Singapore and the region, and has been involved in many significant corporate transactions. She has been named a leading practitioner in many reputable professional publications, including Chambers Global Guide to the World's Leading Lawyers, Asia Law Leading Lawyers, The International Who's Who of Business Lawyers and Corporate Governance Lawyers, Global Counsel 3000, PLC Which Lawyer, Euromoney World's Leading M & A Lawyers and Euromoney World's Leading Capital Markets Lawyers.

Mrs Lee sits on the respective councils of the Inter-Pacific Bar Association and International Bar Association, is a member of the advisory board to the Singapore Management University Law School and is a board member of the National Heritage Board and a trustee for Nanyang Technological University. She also serves on the boards of public listed companies in Singapore, Hong Kong and New Zealand.

林日波
独立董事长

新加坡大学科学系物理荣誉学位，美国俄勒冈大学教育学硕士，富布莱特奖学金得主

林日波先生于2006年3月28日受委为独立董事长。他是薪酬委员会和风险管理委员会主席，同时是审计委员会和提名委员会成员。

林先生是康福德高有限公司、新捷运有限公司、维康有限公司、雅诗阁公寓信托管理公司、丝凯石油有限公司和中国印染控股的董事长。他也是淡马锡控股、新加坡劳工基金控制的一些非上市公司的董事。

1972年，林日波被新加坡政府授予公共管理奖章，他还3次获得新加坡全国职工总会颁发的奖项，即1986年的劳工之友奖、1990年的优秀服务奖及2000年的杰出服务奖。2006年，他也是新加坡国立大学科学系杰出校友奖的得奖者之一。林先生目前是新加坡全国雇主联盟理事。

赵寿森
副董事长、非独立董事

山东财经学院财会专业学士学位

赵寿森先生于2006年3月28日委任为非执行、非独立董事，同年6月9日委任为副董事长。他也是审计委员会、薪酬委员会和提名委员会的副主席，同时也是披露委员会和风险管理委员会的成员。

赵先生是（教授级）高级会计师，2006年1月被任命为中国航空油料集团公司总会计师。1986年加入胜利石油管理局，此后曾担任财务处干事、副科长、科长、副主任会计师，副处长、财务资产部副主任以及主任等职务，2000年2月—2001年12月任胜利石油管理局总会计师，2000年5月任中国石化胜利油田有限公司董事、副总经理，2001年12月任中国石化胜利油田有限公司董事、副总经理、总会计师。

目前赵先生正在攻读博士学位。

刘福春
独立董事

毕业于北京外贸学院财会、英语专业，1964年8月参加工作

刘福春先生于2006年3月28日受委为独立董事。他是提名委员会主席，同时是审计委员会和薪酬委员会成员。

刘先生是中国粮油食品进出口集团董事、总裁。他从1964年-1981年11月先后任中国粮油食品进出口总公司综合处职员、驻美国代表处业务员；1981年11月－1985年7月任中国驻温哥华总领馆副领事；1985年7月－1991年6月先后任中国粮油食品进出口总公司油脂处副处长、处长、鹏利（伦敦）有限公司总经理；1991年6月－2000年6月先后任中国粮油食品进出口总公司副总经理、常务董事、副总裁；自2000年6月起一直担任中国粮油食品进出口（集团）有限公司董事、总裁。

刘先生拥有中华人民共和国商务部颁发的高级国际商务师职称。

林学芬
独立董事

英国剑桥大学法律专科双学位一等学位获得者，伦敦Gray's Inn的荣誉会员，拥有律师资格

林学芬女士于2006年3月28日受委为独立董事。她是审计委员会和披露委员会主席，同时是薪酬委员会和提名委员会成员。

林女士是腾福律师事务所高级董事。她在新加坡及附近区域具备丰富的企业法律经验。她参与了许多重要的企业交易，并被许多知名专业杂志誉为杰出从业者，包括《世界杰出律师全球指南》、《亚洲法杰出律师》、《欧洲货币世界杰出合并与收购律师》等。

她是太平洋律师协会会员以及国际律师协会理事会成员。她也是新加坡管理大学法律学院咨询委员会成员、南洋理工大学董事局成员和国家遗产董事局董事。林女士目前担任多家在新交所、香港证交所和新西兰证交所上市的公司的董事。

Yang Chuan
Executive Director

Postgraduate degree in economic management, Institute of Economics, Politics and Law of SNU; Executive MBA, National University of Singapore; Senior marketing specialist certificate awarded by the Ministry of Labour in the PRC

Appointed to the Board on 28 March 2006 as Non-Executive and Non-Independent Director, Mr Yang was subsequently appointed as an Executive Director on 10 August 2006. He is also the Deputy Head of Special Task Force and a member of the Senior Officers Meeting.

Mr Yang was the General Manager of the Southwest China Branch of China Aviation Oil Corporation Ltd ("CAOCL"), a subsidiary of CNAF. From 1987 to 1993, he served as a lecturer and secretary to President in the Institute of Economics, Politics and Law of Southwest Normal University ("SNU"), Assistant to General Manager of SNU Science and Technology Development Corporation and Head of Plastic Steel Factory. He joined China Aviation Oil Supply Corporation ("CAOSC"), the predecessor of CAOCL in 1993, and held several senior management positions at its Chongqing, Yunnan and Southwest Branches. He was appointed General Manager of the Southwest Branch in 2004.

Paul Reed
Non-Executive Director, Non-Independent Director

Graduated from Durham University, UK; completed PMD executive programme, Harvard Business School

Appointed on 9 June 2006 as Non-Executive and Non-Independent Director, Mr Reed is a member of the Audit Committee and Risk Management Committee.

Mr Reed is the BP Group Vice-President for Integrated Supply and Trading for BP in the Americas. He joined BP in 1979 and spent most of his career developing expertise in commodity markets, supply activities and trading. He spent 5 years focused on the marine fuels business, and a further 12 years in other traded oil markets. He has had a succession of trading management roles starting with product trading management, then as trading manager for crude and products for BP America. For the last five years he has been responsible for the 1100 people in the Europe and Africa division of BP's oil supply and trading group.

He also spent six years in various roles in the Gas and Power sector, and held corporate roles for three years. He began his current role in December 2006.

Michael J Bennetts
Non-Executive Director, Non-Independent Director

Bachelor of Business Studies (Management), Massey University, New Zealand; Postgraduate Diploma in Corporate Management

Appointed on 1 January 2007 as Non-Executive and Non-Independent Director, Mr Bennetts is a member of the Remuneration Committee, the Nominating Committee and the Disclosure Committee.

Mr Bennetts is the Chief Executive of Integrated Supply and Trading, BP Eastern Hemisphere. Mr Bennetts has over 20 years of experience in the energy industry. His experience is concentrated in BP's supply, trading and downstream businesses. He joined BP in 1983 and was the Chief of Staff, Integrated Supply and Trading, BP London (2001-2003) and Commercial Manager, BP South Africa (Pty) Ltd, Cape Town (2000-2001). He had also served various roles in BP marketing business in South Africa, China and New Zealand.

Meng Fanqiu
Non-Executive Director, Non-Independent Director

Graduated from China University of Political Science and Law (majored in International Economic Law); Master in business law degree, Renmin University of China; holds relevant attorney's qualifications in the PRC

Mr Meng was appointed as a Non-Executive and Non-Independent Director on 28 March 2006.

Mr Meng is the Deputy Division Director of the Enterprise Management Division of China Aviation Corporation Ltd ("CAOCL"), a subsidiary of CNAF. He has been involved in corporate governance and company reform issues since he joined CNAF in 2003. He led the team that coordinated the successful restructuring of CAOCL.

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

杨川

执行董事

西南师大经济政法学院经济管理研究生学位，新加坡国立大学高级工商行政管理硕士学位，中华人民共和国劳动部颁发的高级营销师证书

杨川先生于2006年3月28日委任为非执行、非独立董事，同年8月10日委任为执行董事，特别工作组副组长以及高级办公会议成员。

他曾任中国航空油料有限责任公司西南公司（中国航空油料集团公司的子公司）的总经理。1987年－1993年历任西南师大经济政法学院教师、党委秘书，西南师大科技开发总公司任总经理助理兼塑钢厂厂长；1994年－2001年6月在中国航油重庆分公司工作，历任“三产”公司总经理、分公司常务副总经理；2001年6月－2002年12月在中国航油云南分公司任常务副总经理；2002年12月起在中国航油西南公司工作，任常务副总经理，2004年1月至2006年8月担任总经理。

Paul Reed

非执行、非独立董事

英国达拉谟大学毕业，在哈佛商学院完成了PMD执行课程的学

Paul Reed于2006年6月9日任命为非执行、非独立董事，他也是审计委员会和风险管理委员会成员。

Paul Reed现担任BP集团负责美洲地区综合供应和贸易部的副总裁。他于1979年加入BP。在他的职业生涯中，Paul Reed倾注了大量时间，在商品市场、供货及交易方面积累了丰富的专业知识，掌握了精深的专业技能。其中有5年的时间，他专门从事海运油料业务。他还在其他石油交易市场有12年的工作经验，然后又为BP执行商品衍生贸易，先是航油市场的衍生贸易，然后是其他产品的衍生贸易。他担任过一系列贸易管理职务，最初是产品交易负责人，然后是BP在美国的原油及产品交易经理。过去的5年中，他一直是BP石油供应及交易业务欧洲及非洲部的负责人，管理1100名员工，并负责原油产品的销售、为炼油公司及营销公司收购原油及产品以及当地的企业石油交易。

此外，他还在BP的天然气及能源部门工作过6年，期间担任过各种职务。Paul Reed还在BP总部有3年任职经历，他于2006年12月开始担任BP集团副总裁一职。

Michael J Bennetts

非执行、非独立董事

新西兰Massey大学工商管理学士学位，新西兰Massey大学公司管理研究生文凭

Michael J Bennetts于2007 年1月1日委任为非执行、非独立董事，他同时也是薪酬委员会、提名委员会和披露委员会的成员。

Michael J Bennetts主管BP东半球综合供应和贸易，他拥有20多年能源领域的工作经验，主要体现在BP的供应、贸易和下游业务。Michael J Bennetts是1983年加入BP新西兰分部，先后在BP分布在南非、中国和新西兰等国家的分公司部门任职，2000－2001年担任BP南非开普顿公司的贸易经理，2001－2003年间担任BP伦敦公司综合供应和贸易主管。

孟繁秋

非执行、非独立董事

毕业于中国政法大学国际经济法专业，中国人民大学民商法硕士学位，中华人民共和国律师资格

孟繁秋先生于2006年3月28日受委为非执行、非独立董事。

孟先生现任中国航空油料集团公司投资管理部副总经理。他于2003年加入中国航空油料集团公司，从事企业管理、投资管理和企业改革以及企业法制工作。他还是中国航空油料总公司改制重组项目综合组负责人。

孟先生于1991年至2003年是中国民航总局的一名官员，直接参与了《中华人民共和国民用航空法》起草和制定工作，该法为中华人民共和国第一部关于民用航空的法律。2000年起，开始从事民用航空管理体制改革工作：直接参与拟订民用航空企业的整体改制重组方案；直接参与拟订中国航空集团公司、中国东方航空集团公司和中国南方航空集团公司以及服务保障企业改革重组方案；直接参与拟订成都双流国际机场、西安咸阳国际机场、沈阳桃仙国际机场等机场的股份制改造方案、空管改革方案；具体负责东方航空公司兼并西北航空公司项目。曾被评为民航总局优秀公务员。

Operations Review by Head of Special Task Force

Dear Shareholders

2006 was a year of rebirth for CAO. It was also a critical year where we accomplished our goal of rehabilitating and rebuilding the Company.

After much hard work and with the strong support from various parties, CAO completed its restructuring and resumed trading of its shares at end March 2006. We then shifted our focus to the tougher task of rebuilding our business, and I am pleased to report that we have achieved good results.

During the course of the year, we resumed normal operations for our core business of procuring and importing jet fuel into China by returning to the principal model of procurement, where we have operational control of the procurement process. We are now actively preparing for the resumption of oil products trading. CAO's governance and management structures have also been put in place.

We have achieved higher economies of scale. CAO imported 4.66 million metric tonnes of jet fuel in 2006, an increase of 53% over the previous year. The Group's net profit was S$57.3 million (excluding the debt waived by creditors), almost twice the amount in 2005.

The quality of CAO's operations and its profitability has steadily improved. The Group's return on assets has increased, and overall debt level has decreased. As at end 2006, the Group's total assets amount to S$727 million and the debt-to-asset ratio is 76%.

Our restructuring and rehabilitation efforts have yielded significant results. The issues that stumbled the development of CAO in the past were basically resolved in 2006. We have built a strong foundation for revitalising CAO's growth through the rebuilding of our business, repayment of deferred debt, establishment of a new governance structure, constant improvement in internal controls and fostering a new corporate culture.

MAJOR TASKS IN 2006

Completed restructuring and resumed trading of shares

Upon obtaining in-principle approval from the Singapore Exchange ("SGX") to resume trading of CAO's shares, the Company convened an Extraordinary General Meeting, where shareholders gave overwhelming support for the equity restructuring scheme. The Singapore High Court approved the equity restructuring scheme on 21 March 2006. We received the capital injection from our new investors and paid off the first instalment of debts on 28 March 2006, which marked the successful completion of our restructuring efforts. CAO's shares resumed trading on the Mainboard of SGX the following day.

Rehabilitation

The Special Task Force ("STF") then planned for the rehabilitation of the Company, which was divided into three key phases. During the first phase (29 March to 30 June 2006), we switched our procurement business model, established CAO's strategic development framework and formulated the adjustments to organisational and personnel structures.

In the second phase (1 July to 30 September 2006), we completed a comprehensive review followed by a reconstitution of the Company's policies and risk management system. We also embarked on preparations for the eventual resumption of trading activities for oil products, and resolved all outstanding legal suits.

Our major tasks in the third phase (1 October 2006 to 31 March 2007) include: proceeding to finalise the injection of operating assets from CNAF and BP, sale of the Company's 5% stake in CLH, gradually rebuild international trading activities and complete the formulation of our development strategies.

At the time of writing, we have completed all the tasks for phases one and two, and we are making good progress in meeting our work targets for the third phase. I shall furnish more details on what we have done for the past year.

Firstly, CAO has improved its internal management practices and execution efficiency.

Besides the constitution of a new eight-member Board, the daily affairs of the Company are managed by the Senior Officers Meeting ("SOM") post-restructuring. Our Chairman, Mr Lim Jit Poh, heads the SOM, and its members include myself, Mr Yang Chuan (Executive Director and Deputy Head of STF), Mr Zhang Xingbo (Deputy Head of STF), Ms Tee Siew Kim (Head of Finance) and Mr Philippe Cote (Head of Trading). The STF, which I head, implements the decisions of the SOM.

We have also revamped our organisational structure and established seven functional departments, namely Trading, Operations, Business Development, Risk Management, Finance, Human Resource & Administration and Investor Relations.

We strengthened internal controls. The Company revised its Risk Management Manual, Financial Management Manual and Human Resource Manual. We have improved work processes and internal controls according to the requirements of internal and external auditors, and also on the basis of the preliminary audit work done by Deloitte & Touche.

The Company adopted a new logo in November 2006. This symbolised the start of a new journey for us. We are working on building a new corporate culture that is characterised by integrity, transparency and innovation.

In rebuilding our core business, CAO successfully resumed its jet fuel procurement business on a principal basis. With this business back on track, the Company strengthened its cooperation with end-users and suppliers, and effectively controlled risks such as market, supply source, credit and quality.

We also formed a working team to embark on our plans to resume trading. Since November 2006, we have focused on the application for a hedging licence, implementation of our risk management system, restoration of credit facilities and building trading capabilities.

The Company rationalised two investments over the course of the year. Firstly, as announced on 24 January 2007, CAO entered into a conditional agreement to sell our 5% stake in CLH for a consideration of €171 million (S$342 million). It is

(*Top and Bottom*)
Supplying jet fuel to airplanes at airports in China.

the intention of the Board to use the surplus proceeds from this sale to prepay all outstanding debts. If we succeed, we could save US$13.1 million of interest expense over the next four years. More importantly, this would significantly enhance our corporate image, improve our standing with existing lenders and enhance our ability and flexibility to generate future earnings.

On 29 January 2007, the Company announced the partial sale of its equity stake in Xinyuan Petrochemicals Co. Ltd, a non-core investment, to an existing shareholder, thereby reducing our shareholding from 80% to 39%. The Company believes that the purchaser can tap the growth potential of this loss-making company more effectively.

On strengthening our finance and credit abilities, the Company revised and implemented a Delegation of Authority system to enforce stricter and more rational controls over various expenses and large sums of cash disbursements. We formed a budget control committee and formulated a more detailed budget for 2007.

We have also been working on restoring our credit lines, and there has been significant improvement in this regard. China Hong Kong Xinhua Far East Credit Rating Agency upgraded CAO's credit rating to A- on 2 November 2006.

For risk management, we completed a new Risk Management Manual and Traders' Guidelines, both of which have been approved by the Board and implemented. The Company established a check-and-balance risk management system, evaluated the risk control systems for trading, procurement and risk management, and also evaluated and monitored all relevant risks in our day-to-day operations.

As at end 2006, CAO's total staff strength was 41 (including 6 secondees from CNAF and 2 secondees from BP). We have completed adjustments to the organisational structure, staffing, job positions and wages. The departments have formulated more than 40 work processes, clearly-defined roles and responsibilities and inter-department workflows. We have also piloted a new performance appraisal system.

We have resolved all outstanding legal suits and compiled a list of over 20 legacy issues. Most of our work in resolving these legacy issues has been completed.

According to the Creditors' Scheme, CAO paid the first principal instalment and associated interest at the end of March 2007, and paid quarterly interest according to prevailing LIBOR at the end of June, September and December 2006 respectively.

KEY TASKS FOR 2007

First and foremost, we shall do an in-depth reflective study of the lessons derived from the options failure, so as to: establish and rigorously implement sound corporate regulations and risk management control systems; design a workable internal structure for effective balance of responsibilities and authority; be thoroughly familiar with Singapore laws and regulations governing listed companies, disclose material information promptly and operate with integrity; increase the Board's level of participation in the formulation of strategies; foster a new corporate culture characterised by integrity, transparency and innovation.

We also plan to complete and implement our corporate strategy in the first half of 2007. We shall set directions for the future development of CAO following Board discussions and approval, and start implementing the strategies in 2007. Our strategic planning includes jet fuel procurement, international trading, asset investments, shipping operations, corporate finance, finance and credit, risk management, human resource and investor finance relations.

Another area of focus is to strengthen and optimise our jet fuel procurement business. CAO will seek to diversify its procurement sources, analyse the means of optimising our current centralised procurement model to realise its full potential, so as to lower procurement costs and enhance profitability.

Another key focus for 2007 is to enhance our trading capabilities and we plan to recommence trading activities in 2007.

We also plan to complete the joint-asset injection plan under the Memorandum of Understanding signed with CNAF and BP, and proactively seek new investment opportunities at the same time.

Acknowledgements

It would not have been possible for CAO to go back on track without the strong support from shareholders, business partners and both the Chinese and Singaporean government authorities. On behalf of the STF, I hereby express our sincere thanks to the various parties who have supported CAO in our restructuring, rehabilitation and rebuilding.

To you, our shareholders, you have been most understanding and supportive during our restructuring and rehabilitation process. On behalf of the STF, I would like to express our heartfelt gratitude to you.

We would also specifically like to thank our parent company, CNAF, for its continuous support in financial matters, personnel and other resources, and also BP for its assistance in helping CAO build our risk management system and resume trading activities.

Our sincere thanks also goes to the Board of Directors, led by Independent Director Mr Lim Jit Poh, for their excellent work in 2006. As the Chairman of the Board and the SOM, Mr Lim has demonstrated utmost professionalism. In the past year, CAO has benefited greatly from his vast knowledge and wealth of experience, as well as his hands-on approach. His ongoing guidance to the STF has certainly benefited the Company's rebuilding process.

To all the employees of CAO, we would like to thank you for all the hard work you have put in for the Company's rebuilding and rehabilitation.

Outlook

2007 marks the first full year of normal operation and development for CAO. Despite facing challenges in the international market in 2007, the Company is confident that with the continuous support from all shareholders, we can achieve all our targets, realising continuous, steady and good growth for the Company, and creating value for shareholders and the society.

Gu Yanfei
Head of Special Task Force

特别工作组组长业务回顾

尊敬的各位股东：

2006年对中国航油来说是完成重组获得新生的一年，也是公司完成恢复和重建任务的关键之年。在有关各方的大力支持下，经过艰辛的努力，公司在2006年3月底完成重组和恢复股票交易后，迅速将工作重点转移到了更为艰巨的重建和恢复发展上面，并取得了可喜的成绩。这一年，公司的核心业务中国进口航油采购业务恢复了正常，重新掌握了这项业务的主动权和主导权。目前，油品国际贸易业务的恢复工作也正在紧锣密鼓的准备之中。在此基础上，中国航油各领域的业绩也明显凸现：

一是经济效益开始较快增长。2006年，公司进口航油466万吨，比上年增长53%；公司净利润（不包括债权人免去债务的一次性收益）为5730万新元，比上年增加将近一倍。

二是运行质量开始稳步提高。公司盈利能力开始增强，资产运营效率有所提高，总体负债水平稳中有降。到2006年底，公司资产总额为7.27亿新元，公司负债率为76%。

三是重组和重建效果显著。2006年，经过艰苦努力，公司在完成重组恢复股票交易的基础上，困扰公司发展的历史遗留问题得到了基本妥善解决。随着业务的恢复和延期债务的偿付，公司崭新的治理结构、不断改进的公司内控机制和新的企业文化，将为公司的成长和加快发展注入新的活力和打下坚实的基础。

2006年完成的主要工作

完成重组和重新上市

在2006年1月新加坡交易所原则批准公司股票恢复交易，公司于3月3日召开特别股东大会，股权重组方案获得股东高票批准通过；3月21日，新加坡高等法院正式批准公司的股权重组方案；3月28日，新投资者资金到位、第一批债务还款支付，公司重组完成；3月29日，中国航油股票在新交所主板恢复交易。

恢复重建

恢复股票交易后，特别工作组总体规划了公司恢复重建进程，将2006年4月至2007年3月分成3个实施阶段：

第一阶段为2006年3月29日－6月30日，标志性工作是转换采购模式、完成公司发展战略框架的制定和确定人员机构调整方案。

第二阶段为2006年7月1日－9月30日，标志性工作是完成公司制度和风险体系的全面更新和建设，做好恢复油品国际贸易期货套期保值业务的前期准备工作，以及妥善解决遗留法律诉讼。

第三阶段为2006年10月1日－2007年3月31日，标志性工作是推进母公司和BP联合项目的注入工作；出售CLH 5%股权；逐步恢复油品国际贸易和完成战略的制定。

截至本报告止，已完成第一和第二阶段的全部工作，第三阶段的工作正稳步推进。具体如下：

公司成立了新董事会，完善了内部管理，提高了执行力。新董事会共有8名董事，董事长由新加坡籍独立董事林日波先生担任。重组后，公司日常事务是由一个高级办公会议全面负责管理，高级办公会议主席由董事长林日波先生担任，其他成员是顾炎飞、杨川、张兴波、郑秀琴和Philippe Cote。特别工作组负责落实高级办公会议的决策和要求，组长由顾炎飞担任，副组长分别由杨川、张兴波担任。

管理职能部门进行了重新的调整。调整合并公司有关职能部门，重新整合成立7个职能部门：贸易部、运作部、业务发展部、风险管理部、财务部、人力资源暨行政部和投资者关系部。

公司加强了内部控制和文化建设。重组成功后，公司重新修订了《财务手册》、《风险管理手册》、《人事手册》。公司在德勤会计事务所对公司内部控制初步审计的基础上，根据内审公司要求和外审要求，进行了有关工作流程和内部控制的改进。

公司已于2006年11月启用新的标识。这标志着公司开始了新的征程。公司正在为建设诚信、透明和创新的新型企业文化而努力。

2006年5月26日，公司顺利完成航油主体采购模式的转换。进口航油采购业务恢复正常后，公司加强与用户及供货商密切合作，有效地控制了市场、货源、信用及质量等各种风险。

在恢复油品国际贸易方面，公司成立恢复油品国际贸易业务工作团队。2006年11月起，重点开展套期保值资质申请、风险管理系统建设、国际贸易信用恢复与贸易能力培训等4项核心工作。

油罐区晨景

公司整合了原有的两个投资项目：一是公司于2007年1月24日宣布出售所持有的5% CLH股权，售价为1.71亿欧元（约3.42亿新元）。董事会有意使用这项交易所得现金来提前偿还全部未清偿债务。如果成功提前偿清债务，这不仅在未来的4年可为公司节省1310万美元的利息开支，更为重要的是能大大提升公司在当地乃至整个国际的形象，改善公司向银行贷款的能力，从而提高公司未来经营的盈利能力和经营空间。二是公司于2007年1月29日宣布，把非核心投资—新源公司的部分股权出售给一家现有股东，将公司的股权从80%减少到39%。公司相信股权收购者将能更好的开发这家亏损公司的发展潜力。

公司重新制定并实施了财务授权制度，对各种费用支出和大额资金使用调配进行了更加严格和合理的规定；成立了全面预算管理委员会，制订了较为详细的2007年预算计划。

在恢复信用方面，公司积极推进重建信用工作，公司信用状况明显改善。中国香港新华远东信用评级机构于2006年11月2日将公司的主体信用等级调升至A-。

在风险管理方面，公司重点完成了《风险管理手册》和《贸易员管理准则》的修订和更新，得到董事会批准并开始实施；建立了制衡的风险管理组织体系；组织对贸易、采购和风险管理控制系统的评选工作；在日常经营中评估监控公司的各项相关风险。

在人力资源管理方面，2006年底，公司定编41人（其中母公司派出6人，BP派出2人），完成公司机构、人员、岗位和工

加注航油

资的调整工作，组织各部门制定40余条业务流程、明确授权职责和业务交叉与配合工作；试行了绩效考核制度。

此外，公司还完成了一系列重组配套的工作，包括妥善处理法律事项，遗留诉讼案件得以全部解决；整理20余项重组重建遗留问题，并逐项加以落实和处理，目前主要工作已完成；根据债务重组计划，公司已于2006年3月底支付了首期还款及相关利息，并分别于6月底、9月底、12月按同期LIBOR利率支付了季度利息。

2007年工作重点

2007年上半年，我们将深刻反思期权事件教训，努力做到一是建立健全公司的规章制度和风险管理监控体系并得以坚决地贯彻执行；二是设计合理的内部结构，使权力得到有效制衡；三是真正熟知新加坡法律和上市公司运作规则，及时真实披露信息，诚信经营；四是提高董事会参与战略决策的功能；五是塑造诚信、透明和创新的新型企业文化。

2007年上半年，公司也将完成发展战略的总体设计和实施规划工作，在经过董事会的讨论和批准后，为今后的公司发展指明方向，并在2007年得以初步实施。战略规划包括航油采购、油品国际贸易、实业投资、船运、资本运作、财务和信用、风险管理、人力资源、企业文化和市场公关等各方面的内容。

为保持航油采购的竞争优势和市场占有率，公司将重点落实拓展采购油源多样化、研究优化集中采购方式，充分发挥集中采购优势，降低采购成本，提高利润率。

全面提升贸易能力也是中国航油2007年的重点工作之一。按计划，公司将在今年开始恢复油品国际贸易业务。

此外，公司将按照与母公司及BP签署的延期谅解备忘录的要求，全面完成联合注入运营资产项目；与此同时，公司会积极寻找新的投资机会。

致谢

中国航油重新走上正常的发展轨道，得益于广大股东、商业伙伴和中新两国政府有关部门的大力支持。在此，我谨代表特别工作组向所有支持中国航油重组、重建和恢复发展的各界表示衷心的感谢。

中国航油重组和恢复重建，得到了全体股东的充分理解和大力支持。为此，我谨代表特别工作组，向各位股东表示诚挚的谢意。

特别感谢母公司中国航空油料集团公司一如继往地在人力、财力和物力方面的支持，感谢BP在公司风险管理建设和恢复油品国际贸易业务方面提供的大力支持。

感谢由林日波独立董事长领导的公司董事会在2006年开展的卓有成效的工作。作为董事长和高级办公会议主席，林日波先生在过去的一年中始终以其极好的职业素养、丰富的阅历和经验，和亲历亲为、一丝不苟的工作态度，精心指导特别工作组如何开展重建工作，让公司获益匪浅。同时，也感谢公司所有员工为公司重建和恢复发展付出的辛勤劳动。

2007年是中国航油迎来第一个完整的正常经营和发展年。尽管在国际市场上面临着各种巨大的挑战，公司相信在全体股东一如既往的支持下，完全有信心有能力完成各项指标，实现公司的良性、稳定的增长，为股东和社会创造新的价值。

顾炎飞
特别工作组组长

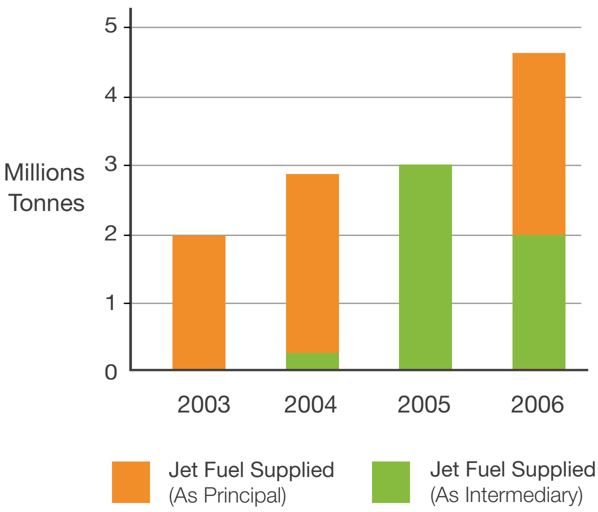
Sustaining Momentum

With a new management team at the helm, our people have the will and stamina to scale new heights.

Our Business

Jet Fuel Procurement

Total jet fuel supplied for 2006 hits 4.66 million tonnes compared to 3.04 million tonnes for 2005



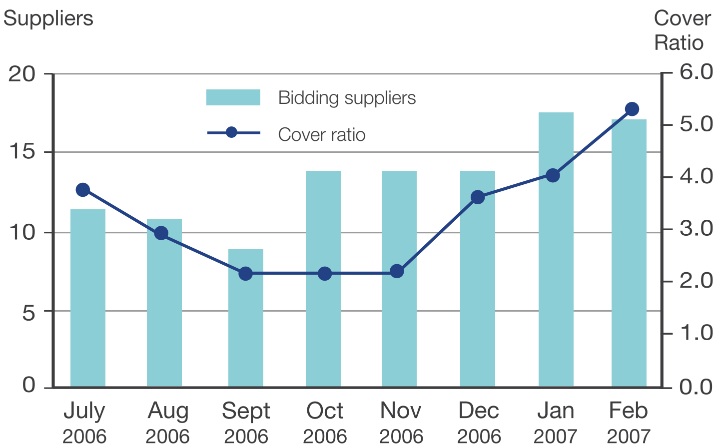
CAO successfully changed its jet fuel procurement business model from agency to principal.

Following completion of the Company's restructuring in March 2006, the Company focused its energy on re-establishing and building up its jet fuel procurement business. From December 2004 until May 2006, CAO operated its jet fuel procurement as an intermediary. In May 2006, the Company returned to procuring jet fuel under a principal model. Procuring jet fuel as a principal gives the Company greater control over operational matters which translate into better customer service.

The number and diversity of suppliers participating in the open tenders have improved materially since the Company resumed its operations on a principal basis. This efficient and transparent tender model helps the Company achieve its goals of providing quality products with smooth physical delivery at the lowest possible prices to customers. Participating suppliers usually include oil majors, trading houses, Chinese oil companies with trading operations outside China, refineries and financial institutions.

The "Periodic Tender Cover & No. of Suppliers" graph illustrates the increased tender participation and the cover ratios for tenders conducted in 2006 under the principal model. Seven periodic tender exercises and nine spot tenders were conducted in 2006 under the principal model.

Periodic Tender Cover & No. of Suppliers



航油采购

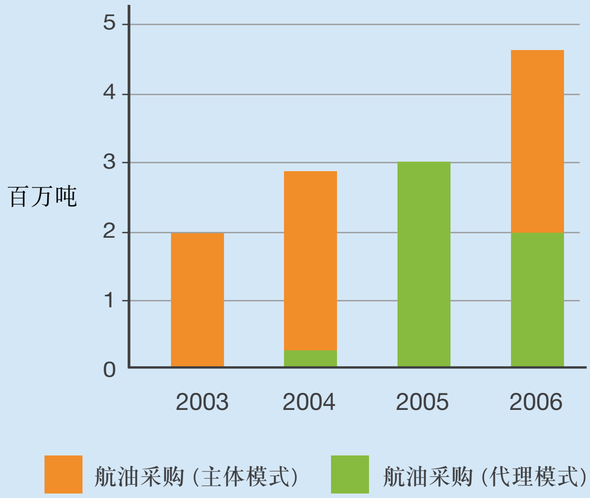
2006年进口航油供应总量突破466万吨，高于2005年的304万吨

CAO成功地将航油采购业务模式从代理模式转换为主体模式。

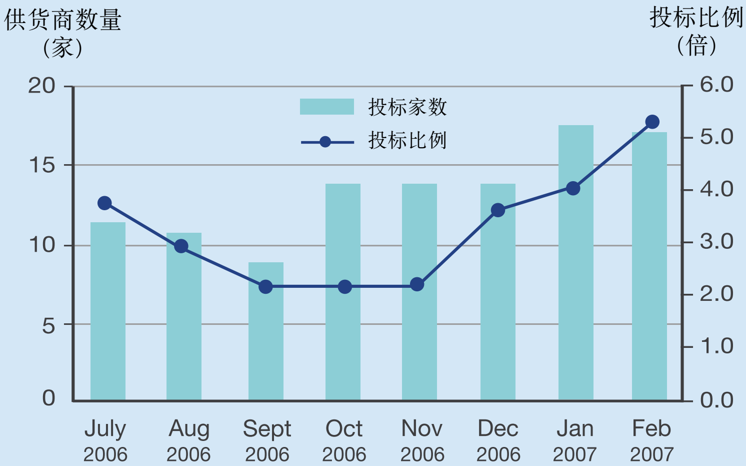
在2006年3月完成公司重组后，公司集中力量恢复航油采购。2004年12月到2006年5月，中国航油以代理模式采购航油。2006年5月，公司恢复了主体模式采购航油。

恢复主体模式以来，参与公开招标的供货商数量与种类都有大幅增加。这种高效、透明的招标模式也有助于公司实现其核心目标：为中国客户顺利运送质量合格、价格最优的油品。参与投标的供货商通常包括主要跨国石油公司、贸易公司、在海外有贸易业务的中资石油公司、炼油厂以及金融机构。

下面的“定期招标投标/中标比率与供货商数量”图显示了2006年主体招标模式下，投标参与者和投标/中标比率的增长。公司在2006年进行了7次定期招标和9次临时招标。



定期招标投标 / 中标比率与供货商数量统计



Our Business

Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd

Formed in 1997, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA") is the sole supplier of jet fuel for Shanghai Pudong International Airport ("Pudong Airport"), China's second largest airport. It is also the exclusive owner and operator of jet fuel supply facilities, including a 42 km pipeline directly connecting Pudong Airport to Shanghai Waigaoqiao Port.

SPIA provides jet fuel procurement, distribution and storage services for all domestic and international airlines at Pudong Airport. The company currently services about 60 airlines. International flights historically accounted for 75%-85% of all scheduled flights at Pudong Airport.

In July 2002, CAO bought a 33% stake in SPIA, and became the second largest shareholder in the company. The other two shareholders are Shanghai Pudong International Airport and Sinopec Gaoqiao Petrochemical Corporation Co. Ltd. They hold 40% and 27% stake respectively.

Volume of fuel supplied by SPIA	**(Million Tonnes)**
2006	2.16
2005	1.86
2004	1.47
2003	0.96

公司业务

上海浦东国际机场航空油料公司

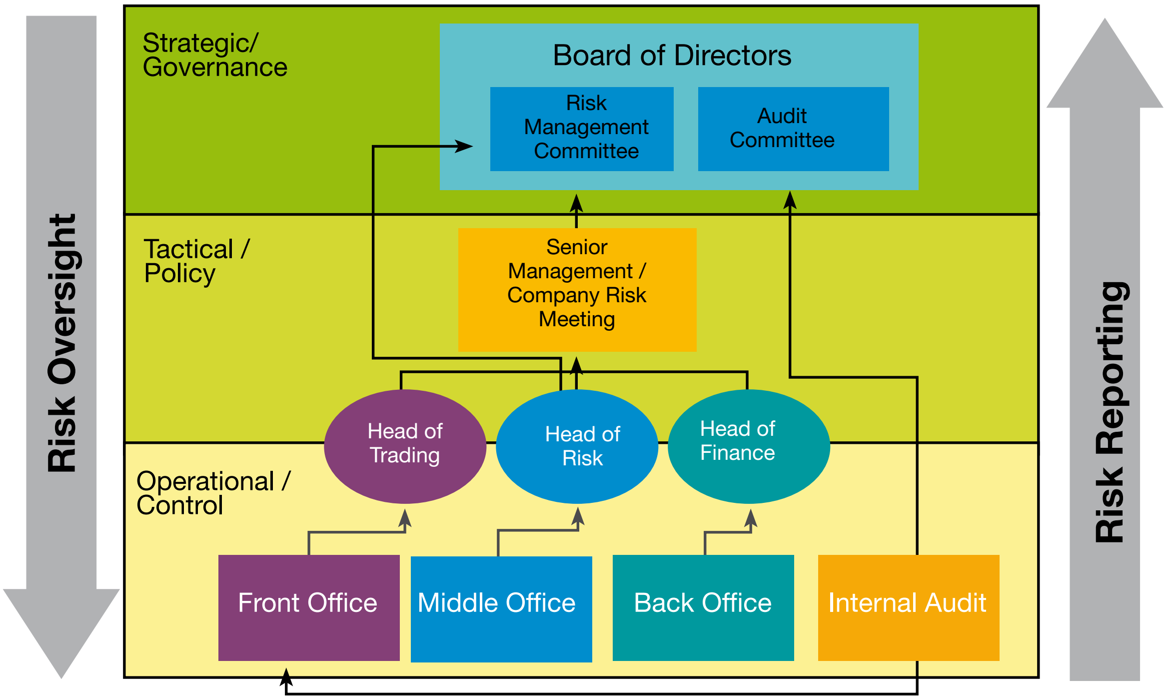
上海浦东国际机场航空油料有限责任公司（以下简称“浦东航油”）于1997年成立。该公司是中国第二大机场上海浦东国际机场唯一的航油供应商，拥有并经营浦东机场的全部加油设施，包括直接连接浦东机场和上海外高桥港口的42公里的管线。

浦东航油向在浦东机场的国内航空公司和外国航空公司提供航油采购、销售和储存服务，目前向近60条航线的航班提供加油服务，其中国际航班占浦东机场航班总数的75%-85%。

2002年7月，中国航油购买了浦东航油33%的股权，成为第二大股东，另外两家股东分别是上海国际机场股份有限公司（占股40%），以及中石化高桥石化公司（占股27%）。

浦东航油历年加油量	单位百万吨
2006年	2.16
2005年	1.86
2004年	1.47
2003年	0.96

Risk Management



Risk management is an important cornerstone of CAO's rebuilding process, and even more so as the Company grows its business.

The Company aims to inculcate a strong corporate risk management culture where everyone – Directors and employees alike – not only understands the risk management concepts and principles, but also follows the risk management polices and procedures strictly. To facilitate this awareness and knowledge, the Company has developed and implemented training programmes for its Directors, management team and employees.

The Company has established a new and effective governance and management structure to ensure that all risks embedded in the Company's businesses are identified and controlled (see chart). With the assistance of the Company's strategic investor BP, the Company's entire risk management practices have been revamped.

A three-member Risk Management Committee has been established at the Board level, comprising an Independent Director, a Director from CNAF and a Director from BP. They each bring with them an independent view and assessment of the risks. The functions of the Committee are set out in the Corporate Governance section of this Annual Report.

A monthly Company Risk Meeting, chaired by the Head of Risk, focuses on risk management related issues and its participants include key personnel from each department. To further enhance the ability to monitor and deal with these risks, the Company is currently in the process of implementing a new risk management computer system.

How we manage business risks

For the Company's core business of jet fuel procurement, identified risks include: operational risk, credit or liquidity risk, and the risk of decreased suppliers' participation and tender competitiveness. To manage such risks, the Company has established rigorous risk assessment, monitoring, reporting and control processes.

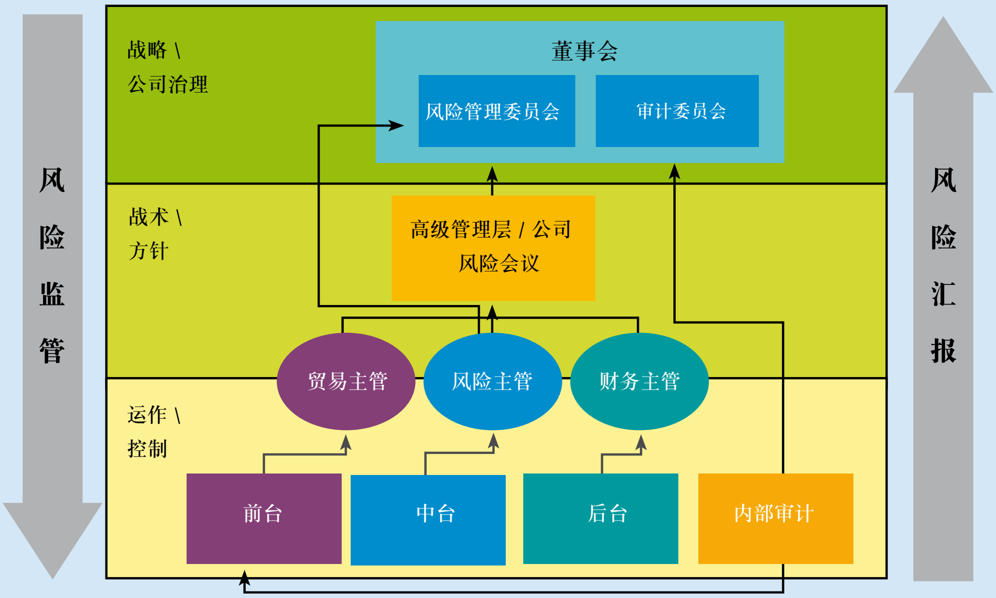
To prepare for the resumption of oil products trading, the Company had identified various key risks: market risk, credit and liquidity risk and operational risk. These areas will be monitored closely to ensure strict compliance to policies and processes. The Company will implement processes to evaluate and approve new trading counterparties and also to set and monitor credit limits to counter any potential credit risk. A system will be in place to carry out daily risk calculations and reporting, Mark-to-Market and Profit & Loss calculations and monitor trading limits.

A new set of Risk Management Manual and Trading Guidelines has been approved by the Board and implemented. They set out our risk management policies and procedures, and were developed based on the enterprise risk management requirements and guidelines of the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"), BP's risk management policies and standards, as well as findings from the PwC investigation report on the Company's speculative options trading losses.

The Risk Management Department will provide independent recommendations to the management and the Board not only on managing the risks embedded in the day-to-day business operations as outlined above, but also on risk evaluation for new investments. The Department also helps to monitor the implementation and management of investment projects.

Effective risk management is one of the key aspects of the Company's revised corporate practice. Going forward, the Company shall continuously upgrade its risk management capabilities to be on par with top-tier international energy trading companies.

风险管理



风险管理

完善风险机制，加强风险监督，不断提升风险业务的控制能力，是重组后中国航油追求的目标。

中国航油致力于创建公司风险管理文化，使得每个人——从董事到一般职员——不但了解风险管理的概念和原理，而且也严格遵守和执行风险管理政策、程序。我们也制定并实施针对董事会、管理层及员工的风险管理培训计划。

公司建立了一个新的、有效的公司治理和管理体制，以确保每天的运作风险得到控制（见附图）。在公司的战略投资者BP的协助下，我们的整体风险管理体制得到了改善。

董事会下设由3人组成的风险管理委员会，该委员会由一名独立董事、一名中国航空油料集团公司提名的董事及一名BP提名的董事组成。他们对风险都有各自的独立看法和见解。

每月由风险部主管主导的公司风险会议集中讨论和解决风险管理有关的问题，出席者包括管理层以及各部门的主要人员。为了加强公司监管和控制风险的能力，公司正在实施一个新的风险管理系统设施。

怎样防范我们的业务风险

航油采购业务的风险包括运作风险、信用或流动性风险、供应商参与及招标竞争力降低的风险。为管理这些风险，我们建立了严格的风险评估、监控、报告和控制程序。

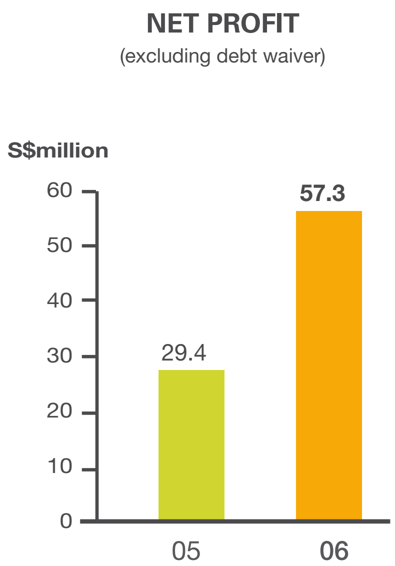
为恢复并发展油品贸易业务，公司确认了以下风险：市场、信用和流动性以及运作风险。公司将紧密监控这些风险，确保公司严格遵守规章和流程。公司将执行新贸易对家、供应商的资格审查，及信用额度的制定和监控工作。公司也将实行日常的风险计算和报告，例如钉市值和损益、监测风险限额和限额管理等。

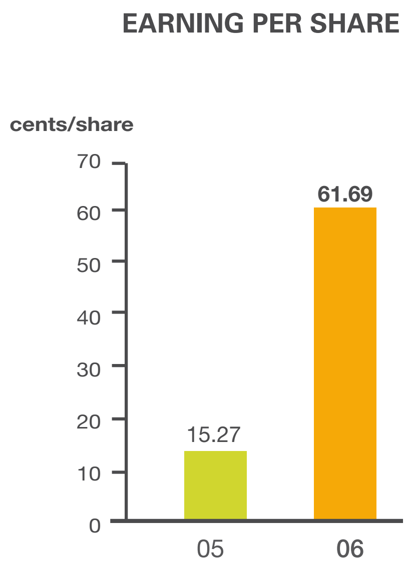
公司新的《风险管理手册》和《贸易员指导准则》得到了风险管理委员会和董事会的批准，并且已经推行。它们规划了我们的风险政策和程序。新的《风险管理手册》和《贸易员指导准则》是依据中国国有资产监督管理委员会（国资委）的企业整体风险管理要求和指导方针、BP的风险管理政策和标准、以及普华针对公司投机期权交易危机调查报告提出的建议的基础上制定的。

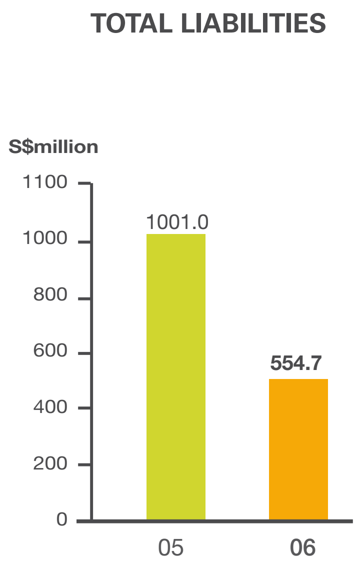
除了向管理层和董事会针对上述的运作风险提出独立的决策建议之外，风险部也针对新投资项目提出独立的风险评估报告。该部门也在公司管理实业投资的过程中，做好风险监控工作。

有效的风险管理是调整后的中国航油实践的一个主要目标。接下来，公司将继续提高我们的风险管理能力，与国际一流的能源贸易公司接轨。

Financial Review







2006 was a year where the Company concluded its restructuring efforts and focused on rebuilding its businesses. The principal activities of the Group remain as the procurement of jet fuel and investment holdings in strategic oil related businesses.

Until May 2006, CAO adopted the agency method of procurement through the establishment of a wholly-owned subsidiary, CAOT Pte Ltd ("CAOT").

In May 2006, the Company discontinued procuring jet fuel through CAOT and resumed procurement on a principal basis (please see section on Jet Fuel Procurement). This is a milestone for CAO in rebuilding its core business, and helped to lay the foundation for the resumption of trading in oil products.

In 2006, CAO procured 4.66 million Metric Tonnes ("MT") of jet fuel against 3.04 million MT in 2005, representing an increase of 53%. This was in line with the rise in demand for jet fuel in China as air travel increased. Gross profit, mainly from jet fuel procurement activities, increased 31% to S$22.4 million.

Jet fuel procurement contributed the bulk of the Group's total revenue in 2006, which was almost S$3 billion, as compared to S$21 million for 2005. This large difference was due to CAO procuring jet fuel through CAOT. Under the agency model, only commission income received was recorded as revenue. Since the Company resumed procurement on a principal basis, the value of the underlying contracts was recorded as revenue. As such, it is not meaningful to compare the Group's total revenue for these two financial years.

Profitability

The Group's net profit for 2006 increased to about S$369 million. Excluding the one-off gain of S$311.6 million of debt waived under the restructuring exercise, the Group's net profit after tax registered a strong growth of approximately 95% to S$57.3 million, compared to S$29.4 million in 2005.

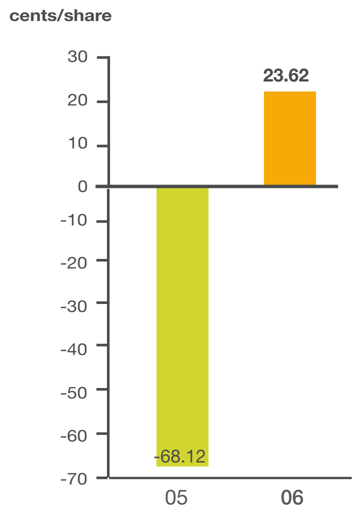
The growth in the Group's profits was mainly due to an increase in operating income coupled with a decline in total expenses incurred.

Profit Drivers

Contributions to profits from investments mainly came from two sources. The Group's 33% share of the pre-tax results in its associate company, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd, amounted to S$35.5 million in 2006 compared to S$38.8 million for 2005.

The Group received S$15.2 million in dividend from CLH. This was 38% higher than S$11 million received in 2005.

NET ASSET VALUE PER SHARE



Other operating income included a one-off amount of S$311.6 million arising from the waiver of debts by scheme creditors following the completion of the restructuring exercise on 28 March 2006.

Interest income derived from short-term placements of the cash balances in time deposits with financial institutions amounted to approximately S$6.5 million in 2006, which was a substantial increase compared to about S$0.5 million in 2005.

The Group also reported a fair value adjustment pursuant to FRS 39 of S$8.1 million. Foreign exchange gain was S$366,000 in 2006, an increase of S$101,000 compared to S$265,000 in 2005, resulting mainly from the respective appreciation of the Euro, RMB and Singapore dollar against the US dollar. The re-measurement to US dollars pursuant to FRS 21 has resulted in the elimination of translation differences previously recognised in the income statement for all transactions that were denominated in US dollars.

Expense Drivers

Total expenses incurred by the Group declined 21% in 2006 to S$26.6 million, mainly due to a significant reduction in other operating expenses, which dropped 78% to S$3.7 million.

The drop in other operating expenses was driven by lower professional fees incurred following the completion of the restructuring exercise. There was also a reversal of impairment loss amounting to S$2.5 million based on an independent valuation of the office premises at Suntec Tower 3 conducted by an independent valuer.

Administration expenses increased 23% to S$11.6 million due to higher staff remuneration, resulting from the increase in the number of staff from 33 in 2005 to 41 in 2006. Higher directors' fees and traveling expenses have also contributed to the increase in administration expenses.

Finance costs of S$11.2 million comprised mainly interest payments made to scheme creditors that amounted to S$8.4 million, and FRS 39 fair value adjustment of S$2.1 million for 2006. This compares to finance costs of S$7.1 million incurred in 2005, which was mainly due to interest charges in servicing the US$152 million syndicated loan and bank overdrafts.

Balance Sheet

The Group's balance sheet has improved significantly over the course of the year. In March 2006, the Group raised an aggregate amount of US$130 million following capital injections by CNAF, BP and Aranda Investments Pte Ltd.

Under the Scheme of Arrangement with its creditors, CAO paid creditors a total of US$109 million in cash as of 31 March 2006. The amount of debts (after waiver) which were restructured into debts that are repayable over a five-year period amounted to approximately US$132.2 million as at 31 December 2006, with the first instalment of US$62.2 million payable in March 2007.

The Group's net assets (excluding Minority Interest's share) amounted to S$170.7 million as at 31 December 2006, a reversal from the net liabilities of S$659.2 million a year ago. This translated to net asset value per share of 23.62 Singapore cents for 2006 against a negative 68.12 cents a year before.

Cash and cash equivalents as at end December 2006 amounts to approximately S$137 million, a three-fold increase from a year ago.

业绩回顾

公司在2006年结束重组，集中精力进行业务恢复重建工作。本公司的主要业务仍然为航油采购和石油相关的战略性实业投资。

在2006年5月之前，公司通过设立独资子公司CAOT私人有限公司（“CAOT”），按代理方式进行航油采购。

公司在2006年5月终止通过CAOT代理方式进行的航油采购，恢复主体的采购模式（请见航油采购部分）。这是公司在恢复重建核心业务过程中的一座里程碑，并为恢复油品国际贸易打下了基础。

随着中国航空业的迅速发展，中国的航油需求也在不断增长。公司在2006年的航油采购量为466万吨，比2005年的304万吨增长了53%。主要来自航油采购业务的公司毛利总额增长了31%，达2240万新元。

公司2006年的总收入接近30亿新元，其中大部分来自航油采购业务；相比之下，2005年的总收入为2100万新元。2006年营业额出现大幅度差别的原因在于公司恢复了航油主体采购模式后，以合同价值记录航油采购收入，而依照以前的代理模式，公司只是记录航油采购的佣金。因此，比较公司过去两年的总收入是没有意义的。

盈利能力

公司2006年全年税后净利增至3.69亿新元左右。如果不包括债务重组计划下债权人削减的3.12亿新元债务，公司税后净利猛增了95%，达5730万新元，而2005年为2940万新元。

公司利润的增长主要因为营运收入增加而费用总额下降。

利润动因

实业投资带来的利润主要来自两方面。公司持有33%股权的附属公司上海浦东国际机场航空油料公司为公司带来3550万新元的税前盈利，2005年则为3880万新元。

公司进帐的CLH分红总额为1520万新元，比2005年的1100万新元增加了38%。

其它运营收入还包括公司在2006年3月28日结束重组计划后，根据债务重组方案进行的总额为3.12亿新元的债务减免。

公司存放在金融机构的现金存款利息收入在2006年约为650万新元。这比2005年约50万新元的同类收入高出许多。

另外，根据FRS 39规定，对公允价值调整后的收益为810万新元。汇兑收益为36.6万新元，比2005年的26.5万新元增加10.1万新元，这主要是欧元、人民币和新元兑美元的汇率升值所造成的。公司根据FRS 21规定调整美元为计帐货币后，消除了所有美元交易产生的汇兑损益。

费用动因

2006年公司费用总额为2660 万新元，下降了21%，这主要是由于其它经营费用大幅减少。

其它经营费用为370万新元，下降了78%，主要原因之一是专业咨询费用在重组完成后大幅度减少。另外，公司在新达城的办公房产价值在独立评估师重新评估后，记回一笔250万新元的减值损失。

行政费用因为员工工资提高而增加23%，达1160万新元，这是因为员工总数从2005年的33人增加到2006年的41人。董事费用增加和出差费用增加也导致行政费用上涨。

1120万新元的财务费用主要包括向重组计划债权人支付的840万新元利息，以及根据FRS 39进行的210万新元估价调整。相比之下，2005年的财务费用为710万新元，这主要是为了支付1.52亿美元银团贷款和银行透支的利息。

资产负债表

公司的资产负债表在过去一年显著改善。2006年3月，公司在中国航空油料集团公司、BP和淡马锡控股注入资金后，筹集了1.3亿美元现金。

根据债务重组计划，公司截至2006年3月31日向债权人偿还了1.09亿美元现金。重组剩余债务（债务减免后），在五年内分期偿还。截至2006年12月31日，公司的延期偿还债务总额计1.32亿美元，第一期6220万美元的付款在2007年3月偿还。

公司截至2006年12月31日的净资产（不含少数股东权益）为1.71亿新元，扭转了一年前的6.59亿新元净负债。2006年的每股净资产为0.236新元，而2005年则是负0.681新元。

截至2006年12月底，公司持有的现金和现金等价物共计约1.37亿新元，同一年前相比增长了大约两倍。

Our past year journey to recovery

2006

JANUARY

27 Jan
SGX in-principle approval for Company's shares to resume trading

FEBRUARY

3 Feb
Shareholders updated on progress of restructuring at AGM

MARCH

3 March
Shareholders approved equity restructuring plan: consolidation of 5 shares into 1; issue of new shares to CNAF, BP and Aranda Investments

21 March
Singapore High Court approved equity restructuring plan

28 March
Restructuring plans completed

29 March
Shares resumed trading after 16-month suspension

New Board held first meeting

APRIL

28 April
New external auditor KPMG was appointed at AGM

公司恢复重建历程：过去一年的里程碑

2006

一月

27日
新交所原则批准股票恢复交易

二月

3日
召开常年股东大会通报重组进展

三月

3日
召开特别股东大会通过股权重组方案：5股并1股，发新股给CNAF、BP和Aranda投资公司

21日
新加坡高等法院正式批准公司的股权重组方案

28日
完成重组计划

29日
公司股票在暂停交易16个月后恢复交易

新董事会召开第一次会议

四月

28日
召开常年股东大会任命KPMG为新外部审计师

With the successful completion of the restructuring exercise, we have put in place the necessary risk management and organisation structures to re-establish our business.

2007

MAY

15 May
Board implemented several important CGAC recommendations

25 May
Announced resumption of jet fuel procurement on principal basis

OCTOBER

26 Oct
Commencement of process to sell 5% interest in CLH; Deloitte & Touche Corporate Finance appointed as financial adviser

NOVEMBER

2 Nov
China Hong Kong Xinhua Far East Credit Rating Agency upgraded CAO's credit rating from B+ to A-

14 Nov
Adopted new corporate logo

JANUARY

24 Jan
Entered conditional sale to sell 5% stake in CLH for €171million (S$342m)

29 Jan
Partial sale of stake in Xinyuan, shareholding pared down from 80% to 39%

随着业务的恢复和延期债务的偿付，公司崭新的治理结构、不断改进的公司内控机制和新的企业文化，将为公司的成长和加快发展注入新的活力和打下坚实的基础。

2007

五月

15日
公司推行公司治理评估委员会数项重要建议

25日
宣布恢复进口航油主体采购模式

十月

26日
开始出售CLH 5% 股权的过程，委任德勤为财务顾问

十一月

2日
中国香港远东评级机构将公司信用等级从B+提高到A-

14日
公司采用新标识

一月

24日
签署有条件协议出售5% CLH股权，交易总额为1.71亿欧元(3.42亿新元)

29日
公司出售部分的新源石化公司股权，股权从80%减至39%

Proposed Director
提名董事

Sun Li

Graduated from Tsinghua University, majored in polymer chemistry; Postgraduate Diploma with a qualification title of Senior Engineer; attended MBA course at Capital University of Economics and Business, Beijing

Mr Sun is the new President of China National Aviation Fuel Holding Company ("CNAF"), a position he was appointed to in February 2007. Prior to this appointment, he held the position of Deputy President of CNAF from November 2005 to January 2007.

Mr Sun has extensive management experience at all levels having served in various capacities in the petroleum and chemical industry. He joined Liaoyang Petrochemical & Fiber Company ("Liaoyang Petrochemical") as Deputy Manager in 1975 after graduation. He was promoted several times and he was the Deputy General Manager when he left Liaoyang Petrochemicals in 1998.

Through his participation in trainings on corporate management by IBM, ENSPM (France) and ICI (Britain) when he was working at Liaoyang Petrochemicals, Mr Sun is familiar with the various types of corporate management systems in large multi-national companies. Mr Sun also attended MBA classes at Capital University of Economics and Business in Beijing from1998 to 2000.

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

Mr Sun is currently the Chairman of China Aviation Oil Supply Corporation Limited, China Aviation Oil (Hong Kong) Company Limited, CNAF Land Oil Company Limited and Beijing Chengtian Beida Filter Technology Company Limited.

Mr Sun is proposed to be appointed as a Director of CAO at the 2007 Annual General Meeting. Upon successful appointment to the Board, Mr Sun shall assume the position of Deputy Chairman of the Board.

孙立

清华大学化学系高分子化工专业毕业；研究生学历，高级工程师资格；曾在首都经贸大学工商管理硕士研究生班学习

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

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

通过在辽化任职期间参加IBM公司、法国石油与发动机学院和英国帝国化学公司的现代企业管理培训，孙先生通晓大型跨国企业的各种企业管理体制。1998年7月至2000年7月，在首都经贸大学工商管理硕士研究生班学习。

1998年10月至1999年9月，孙先生任中国石油天然气集团公司炼化部副主任。1999年9月至2002年12月，任中国石油兰州石化分公司总经理。2002年12月至2005年11月，任中国石油天然气股份有限公司化工与销售分公司总经理。

孙先生目前是中国航空油料有限责任公司、中国航油（香港）有限公司、中国航油集团陆地石油有限公司和北京承天倍达过滤技术有限公司的董事长。

孙先生将在2007年召开的年度股东大会上被提名担任公司董事。在成功受委任加入董事会后，董事会将任命他担任副董事长一职。

Mdm Gu Yanfei
Head of Special Task Force

Bachelor in Economics, Dongbei University of Finance & Economics, China; Postgraduate degree in Economics and Management; currently attending EMBA program in Cheung Kong Graduate School of Business

Mdm Gu heads the Special Task Force, which is responsible for implementing the decisions of the Senior Officers Meeting. She is responsible for the day-to-day management of the Company with the aim to rebuild and grow the Company's business.

She is also a director of Shanghai Pudong International Airport Aviation Fuel Supply Company and CLH. Before her appointment as the Head of Special Task Force on 28 November 2004, Mdm Gu was the Head of Investment Department of China Aviation Oil Holding Company ("CAOHC", now renamed China National Aviation Fuel Holding Company, "CNAF"). She was also the Deputy Head of Enterprise Planning and Development of CAOHC and Deputy Director of Enterprise Management Division in China Aviation Oil Supply Corporation ("CAOSC"), a subsidiary of CNAF which is now renamed China Aviation Oil Corporation Limited ("CAOCL").

Mdm Gu joined CAOSC in 1990 and had held several senior executive positions. She was a Non-Executive Director of CAO from March 2003 to March 2006.

Mr Zhang Xingbo
Deputy Head of Special Task Force, Head of Operations

Bachelor and Postgraduate degree of Arts (English major), Lanzhou University;

As the Deputy Head of Special Task Force, Mr Zhang assists the Head of Special Task Force to ensure effective day-to-day management of CAO with the aim to rebuild and grow the Company's business. He also oversees the operations and trading business.

He is a director of CAOT Pte Ltd, a wholly-owned subsidiary of CAO, and the Deputy Chairman of the Board of Xinyuan Petrochemicals Co. Ltd, a subsidiary of the Company.

Prior to joining the Company in August 2006, Mr Zhang was the Import Manager of China Aviation Oil Supply Corporation in Beijing, responsible for coordinating and organising the procurement of jet fuel imports to meet the needs of China's civil aviation industry. He was the Editor of China Daily – the largest English Newspaper in China, from 1986 to 1993.

Mr Philippe Cote
Head of Trading

Masters in Finance, University of Sherbrooke; Bachelor of Business Administration, Laval University; Financial Risk Manager (FRM), Global Association of Risk Professionals; Chartered Financial Analyst (CFA)

Mr Cote is leading the Trading Department, which is responsible for the jet fuel supply to our PRC customers and other trading activities. He is spearheading CAO's efforts to rebuild its oil-trading activities. A secondee from BP, he joined the Company in April 2006.

Mr Cote has extensive trading risk management experience. Before his secondment to CAO, he was a Trading Manager of Integrated Supply and Trading - Eastern Hemisphere ("IST-EH") where he built a trading analytics team that provided analytics to traders, and managed the regional BPriskmanager team that marketed and structured energy derivatives. Prior to this position in the Front Office, he was the regional head of Risk Management.

Mr Cote began his career with the Bank of Canada and has worked at the Bank of England and the Royal Bank of Canada.

SENIOR MANAGEMENT

Ms Tee Siew Kim
Head of Finance

FCCA, the Association of Chartered Certified Accounts (UK); FCPA, the Institute of Certified Public Accountants of Singapore

Ms Tee is responsible for all financial matters within CAO, including financial reporting, taxation, financial planning, and treasury and banking.

Ms Tee joined CAO in June 2006. She has more than 15 years of experience in the accounting profession and has held several senior financial control positions in multi-national companies and a Singapore public listed company.

Prior to joining CAO, she was the Group Financial Controller of Lindeteves-Jacoberg Ltd. She was a Finance Director at Alstom T & D Pte Ltd, and was the financial controller of Cutler-Hammer Pte Ltd and Federal-Mogul Pte Ltd.

Mr Shaun Tang
Head of Risk Management

Bachelor and Masters of Science, University of Petroleum of China; M.A. in Energy Finance, University of Texas at Austin; Masters of Science (Engineering-Economic Systems), Stanford University; Chartered Financial Analyst (CFA); Financial Risk Manager (FRM), Global Association of Risk Professionals

Mr Tang is seconded from BP and joined CAO in May 2006. He is responsible for the establishment and implementation of the risk management framework of the Company. He also ensures that risk management policies and procedures are adhered to.

Prior to CAO, Mr Tang worked at BP's Integrated Supply and Trading – North America Houston office. His responsibilities were concentrated in risk management, which included oil and gas commodities trading risk management, valuation and risk analysis of long term asset-based commercial deals and hedging strategies, providing market risk assurance for merger and acquisitions, and also leading the development and implementation of practices, policies and procedures to deliver superior customised energy risk management solutions.

He had also worked for Reliant Energy, Enron Corporation, Continental Airlines and Vision Energy Consultants in the US.

高级管理层

顾炎飞女士
特别工作组组长

东北财经大学经济学学士，经济管理专业研究生学历，在读长江商学院EMBA

由顾炎飞女士领导的特别工作组，负责实施高级办公会议的所有决策。顾女士同时也负责管理层的有效运作和公司业务的正常开展，确保公司从重组阶段顺利过渡到重建和正常运作阶段。

她也是上海浦东国际机场航空油料公司和CLH的董事。在2004年11月28日受委为特别工作组组长之前，顾女士任中国航空油料集团公司投资管理部总经理。她还担任过中航油总公司企管处副处长、中国航油集团公司企划发展部负责人兼总公司企管处副处长等职务。2003年3月至2006年3月，顾女士任中国航油（新加坡）股份有限公司非执行董事。

张兴波
特别工作组副组长、运作部主管

学士和硕士，兰州大学英语专业

作为特别工作组副组长，张兴波先生协助特别工作组组长负责管理层的有效运作和公司全部业务的正常开展，同时监管贸易和运作业务。目前他是中国航油新加坡贸易公司(CAOT)的董事，及新源公司副董事长。

在2006年8月加入公司之前，张先生曾担任中国航空油料总公司进口航油业务经理，负责协调并组织中国民航所需进口航油的采购。1986年－1993年，张先生在中国最大的英文报社－中国日报社担任记者、编辑。

Philippe Cote
贸易部主管

加拿大Laval大学工商管理学士，Sherbrooke大学金融硕士，拥有金融风险管理经理(FRM)资格认证（全球风险专业人士协会）和特许金融分析师(CFA)资格认证

Philippe Cote主管公司的贸易部，负责向中国客户供应航油的业务以及其他贸易活动。目前他正主抓公司恢复油品国际贸易业务。他是BP派出的人员，于2006年4月加入公司。

Philippe Cote拥有丰富的贸易风险管理经验。在加入CAO前，他担任BP东半球综合供应和贸易部门的贸易经理，建立了一支贸易分析团队，向贸易员提供专业分析，同时领导BPriskmanager区域团队，负责向客户行销和设计能源衍生品。他也曾是风险管理的区域主管。

Philippe Cote也曾先后在加拿大银行、英国英格兰银行和加拿大皇家银行任职。

高级管理层

郑秀琴女士
财务部主管

英国注册会计师协会会员，新加坡公共注册会计师协会成员

郑秀琴女士负责公司的所有财务工作，包括财务报告、税收、财务规划和资金管理与银行事务。

郑女士于2006年6月加入公司，她有15年的职业会计师经验，曾在多家跨国公司和一家新加坡上市公司担任高级财务管理职务。

加入CAO之前，她是在新加坡上市的荷兰公司的集团财务总监。此前，她是法国Alstom T & D私人有限公司的财务部主管以及Culter-Hammer私人有限公司和Federal-Mogul私人有限公司的财务主任。

唐守安
风险部主管

中国石油大学学士及硕士学位，美国德州大学（奥斯汀）能源经济硕士，斯坦福大学工业一经济系统及运筹学硕士，拥有特许金融分析师(CFA)资格认证和金融风险管理经理(FRM)资格认证（全球风险专业人士协会）

唐守安先生是BP派出人员，于2006年4月加入CAO，负责建立公司全面的风险管理框架和落实，并确保有效实施风险管理决策和各项程序。

在加入公司前，唐先生任职于BP综合供应和贸易公司北美休斯顿总部，主要负责油、气等能源商品现货及期货交易风险管理，提供长期资产投资项目及商务合约价值评估及风险规避策略，为公司的资产并购项目提供市场风险分析，制定和实施风险管理制度、方法等。

在BP之前，他曾就职与于美国Reliant能源公司、安然公司、大陆航空公司及远见能源咨询公司。

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of China Aviation Oil (Singapore) Corporation Ltd ("CAO") is committed to enhancing CAO's standards of board effectiveness, corporate governance and transparency. It strives to surpass the minimum requirements as prescribed by the Singapore Exchange Securities Trading Limited ("SGXST") and the recommendations of the Code of Corporate Governance (the "Code"), with the view to preserve and grow shareholder value. This is a commitment which the Board of Directors (the "Board") pays a lot of attention to post-restructuring.

To improve internal controls and corporate governance beyond adopting the recommendations of the Code, the Board constituted a Corporate Governance Assessment Committee ("CGAC") in 2005 to examine the corporate practices and governance of CAO and to make recommendations for improvement. The CGAC comprised five members:

Corporate Governance Assessment Committee

Lim Jit Poh	Chairman
Lee Suet Fern	Member
Wang Kai Yuen	Member
Gu Yanfei	Member
Meng Fanqiu	Member

The CGAC presented its recommendations to the Board on 9 December 2005. In April 2006, the new Board accepted all the CGAC's recommendations. As at the date of this report, the Company has successfully implemented the majority of the recommendations.

This Report describes the Company's corporate governance practices with specific references to the Code and the recommendations of the CGAC. The Report is divided into five broad sections:

(A) Board Matters;

(B) Remuneration Matters;

(C) Accountability and Audit;

(D) Internal Controls; and

(E) Communication with Shareholders

(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 new Board was reconstituted in late March 2006 with new directors to replace the previous Board in its entirety.

The current Board comprises eight members, of whom seven are Non-Executive Directors and one is an Executive Director. All Independent Directors as well as those nominated by the two major shareholders, namely China National Aviation Fuel Holding Company ("CNAF") and BP Investments Asia Ltd ("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.

With the exception of Mr Paul Reed and Mr Michael Bennetts who joined the Board on 9 June 2006 and 1 January 2007 respectively, the other six members were appointed at the Extraordinary General Meeting ("EGM") held on 3 March 2006.

STATEMENT OF CORPORATE GOVERNANCE

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

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

Some of the businesses that the Board transacts include:

a) setting, reviewing and approving corporate strategies, annual budgets and financial plans;

b) reviewing the adequacy and integrity of the Company's internal controls, risk management systems, financial reporting systems and monitoring the performance of the Group and the Management;

c) ensuring that the Group and Management comply with all laws, regulations, policies, directives, guidelines and internal code of conduct;

d) considering and approving the nominations of suitable candidates to the Board of Directors; and

e) ensuring accurate, adequate and timely reporting to, and communication with shareholders.

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

In accordance with the recommendation of the Code, the Board delegated specific responsibilities to three committees, namely the Audit, Nominating and Remuneration Committees. In addition, the Board adopted the recommendations of the CGAC and formed two additional committees, namely the Risk Management Committee and the Disclosure Committee. 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 new Board met six times in 2006. When Directors cannot be physically present, telephonic attendance and conference via audio-visual communication at Board and Board committee meetings are allowed under the Company's Articles of Association. The number of Board and Board committee meetings held in 2006, as well as the attendance of each Board member at these meetings, are disclosed below:

	Board of Directors	Board Committee Meetings				
		Audit	Nominating	Remuneration	Risk Management	Disclosure
Number of Meetings Held	**6**	**3**	**2**	**2**	**2**	**2**
Lim Jit Poh	6	3	2	2	2	N.A.
Zhao Shousen	5	2	2	2	2	1
Yang Chuan	6	N.A.	N.A.	N.A.	N.A.	N.A.
Liu Fuchun	5	2	2	2	N.A.	N.A.
Lee Suet Fern	5	3	2	2	N.A.	2
Meng Fanqiu	6	N.A.	N.A.	N.A.	N.A.	N.A.
Paul Reed(1)	1	2	N.A.	N.A.	1	N.A.
Dr Wu Shen Kong(2)	5	N.A.	2	2	N.A.	2
Ian Springett(3)	–	1	N.A.	N.A.	1	N.A.

Notes:

(1) Appointed on 9 June 2006. From 9 June 2006 to 31 December 2006, there were two Board meetings, three Audit Committee meetings and one Risk Management Committee meeting held.
(2) Resigned on 1 January 2007.
(3) Resigned on 9 June 2006. During his tenure as the Company's Director, there were four Board meetings, one Audit Committee meeting and one Risk Management Committee meeting held.

A formal letter is sent to newly-appointed Directors upon their appointment explaining their duties and obligations as a Director. Appropriate training is provided for all new Directors appointed to the Board to ensure that they are familiar with the Company's business, operations, governance practices and regulatory requirements. Training is an ongoing and continuous process.

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

Board Composition and Balance

Principle 2

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

Commentary

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

At least two Independent Directors are resident in Singapore, in accordance to the recommendation of the CGAC. These two Independent Directors are Mr Lim Jit Poh and Mrs Lee Suet Fern.

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

The Chairman of the Board, Mr Lim Jit Poh, meets the above criteria. He is currently the Chairman of ComfortDelGro Corporation Ltd, a reputable public listed company in Singapore. He has good working relationships with the various regulators in Singapore. He is also a resident of Singapore.

The Nominating Committee reviews each Director's independence. 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 core competencies for effective decision-making.

Chairman and Chief Executive Officer

Principle 3

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

Commentary

The Chairman of the Board, Mr Lim Jit Poh, is an Independent Non-Executive Director. He acts independently in the best interests of the Company and the Group.

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

The Company currently does not have a Chief Executive Officer. Instead, this important management role is carried out by the Senior Officers Meeting ("SOM"), under the chairmanship of Mr Lim. The six-member SOM comprises an Executive Director and senior staff and they usually meet on a weekly basis to discuss issues and discharge the management function. The Special Task Force implements the decisions of the SOM and conducts day-to-day affairs of the Group. The SOM will continue to function until a CEO is appointed by the Board.

The Chairman is in constant consultation with the Board and its various 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 members of the SOM are not related.

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 are Independent Non-Executive Directors:

Nominating Committee

Liu Fuchun	Chairman
Zhao Shousen	Vice-Chairman
Lim Jit Poh	Member
Lee Suet Fern	Member
Michael Bennetts	Member

The responsibilities of the Nominating Committee include:

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

b) determine each Board member's independence status; and

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

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

In 2006, the Nominating Committee nominated two new Directors – Mr Paul Reed and Mr Michael Bennetts to the Board. They represent BP's interest on the Board. The Board approved the candidates nominated and appointed them members of the Board of Directors. Pursuant to Article 97 of the Company's Articles of Association, both Mr Paul Reed and Mr Michael Bennetts shall retire at the forthcoming Annual General Meeting ("AGM"). The Nominating Committee nominated and the Board approved both retiring Directors to seek for re-election at the forthcoming 2007 AGM.

Pursuant to Article 91, one-third of the members of the Board of Directors shall retire. For the 2007 AGM, Mr Lim Jit Poh, Mr Liu Fuchun and Mrs Lee Suet Fern are due for re-election. The Nominating Committee has recommended and the Board agreed that all retiring directors be nominated for re-election at the AGM.

Board Performance

Principle 5

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

Commentary

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

The Nominating Committee completed a Board assessment and effectiveness questionnaire for 2006. The Nominating Committee is satisfied with the current composition and performance of the Board as a whole.

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

Access to Information

Principle 6

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

Commentary

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

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

The Board as a whole as well as individual Directors have direct access to Management represented by the SOM and other senior executive officers of the Company and Group. The SOM 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 and in-house Legal Counsel. The Company Secretary and the Legal Counsel attend all Board meetings and assist the Chairman in ensuring that Board papers, procedures and the applicable laws and regulations are adhered to.

Information about the Company and the Group are freely available to each Board member. Management will supply any additional information that the Board requires. Management and senior executives are invited by the Board to attend its meetings to present their proposals or to answer any questions that Board members may have.

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

(B) REMUNERATION MATTERS

Procedures for developing Remuneration Policies

Principle 7

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

Level and Mix of Remuneration

Principle 8

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

Disclosure on Remuneration

Principle 9

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

Commentary

The Board adopted the recommendations of the 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 are Independent Non-Executive Directors:

Remuneration Committee

Lim Jit Poh	Chairman
Zhao Shousen	Vice-Chairman
Liu Fuchun	Member
Lee Suet Fern	Member
Michael Bennetts	Member

The Remuneration Committee assists the Board and Management by assessing and making remuneration recommendations for the Executive Director and senior executives of the Company. The Remuneration Committee also administers the performance bonus scheme.

Broadly, remuneration for the Executive Director and senior executive officers is based on the Company and individual performances and the remuneration for Non-Executive Directors in the form of fees is based on responsibilities and memberships in the Board and its committees.

The remuneration of Directors and key executives is set out below:

Directors	Fee	Base/fixed salary	Variable/ performance	Others	Share options/ Long Term incentives	Total
	(%)	(%)	(%)	(%)	(%)	(%)
Below $250,000						
Lim Jit Poh	100	0	0	0	0	100
Zhao Shousen	100	0	0	0	0	100
Yang Chuan	9	86	0	5	0	100
Liu Fuchun	100	0	0	0	0	100
Lee Suet Fern	100	0	0	0	0	100
Meng Fanqiu	100	0	0	0	0	100
Paul Reed	100	0	0	0	0	100
Dr Wu Shen Kong(1)	100	0	0	0	0	100
Ian Springett(2)	100	0	0	0	0	100

(1) Resigned on 1 January 2007
(2) Resigned on 9 June 2006

Top 5 Executives	Base/fixed salary	Variable/ performance	Others	Share options/ Long Term incentives	Total
	(%)	(%)	(%)	(%)	(%)
Above $250,000 less than $499,999					
Gu Yanfei	94	0	6	0	100
Philippe Cote	100	0	0	0	100
Below $250,000					
Shaun Tang	100	0	0	0	100
Zhang Xingbo	100	0	0	0	100
Tee Siew Kim	100	0	0	0	100

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

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

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

Fees – Fees paid or payable to Non-Executive Directors take into account factors such as effort and time spent, and responsibilities of these Directors.

Variable/Performance – The Group operates a bonus scheme for all employees including the Executive Directors. The criteria for the scheme are the level of profit achieved from certain aspects of the Group's business activities against targets, together with an assessment of the Company and individual's performance during the year. Bonuses payable to the Executive Directors and senior executive officers are reviewed by the Remuneration Committee.

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

(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

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

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

Audit Committee

Principle 11

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

Commentary

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

Audit Committee

Lee Suet Fern	Chairperson
Zhao Shousen	Vice-Chairman
Lim Jit Poh	Member
Liu Fuchun	Member
Paul Reed	Member

The current Audit Committee held three meetings in 2006 where it met with external and internal auditors to review both the Company's 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 Audit Committee met with both the external and internal auditors at least once without the presence of the Management.

The Audit Committee reviews the quarterly and annual financial statements and the integrity of financial reporting of the Company, including the accounting principles, for recommendation to the Board for approval.

The Audit Committee has full authority to investigate into any matter within its terms of reference, including any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations. The Audit Committee has full access to and co-operation of the SOM. The Audit Committee also has full discretion to invite any Director or executive officer from the Company or the Group to attend its meetings.

The Audit Committee has full access to both external and internal auditors. Where required, the Audit Committee is empowered to obtain external legal advice or such other independent professional advice as the Committee deems necessary.

The Audit Committee monitors all interested person transactions, including transactions under the general mandate on Interested Person Transactions agreed by shareholders at the Annual General Meeting, 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 below.

The Audit Committee nominated KPMG for re-appointment as auditors of the Company at the 2007 Annual General Meeting. 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.

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

Further, CAO is developing and implementing a Fraud Control Plan. This comprises periodic fraud risk assessments on the Company.

(D) INTERNAL CONTROLS

Principle 12

The Board should ensure that the Management maintains a sound system of internal controls to safeguard the share-holders' investments and the company's assets.

Commentary

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

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

Risk Management Committee

Lim Jit Poh	Chairman
Zhao Shousen	Member
Paul Reed	Member

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

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

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

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 Company's Legal Counsel.

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

Internal Audit

Principle 13

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

Commentary

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

The Audit Committee thus appointed Grant Thornton Specialist Services Pte Ltd ("Grant Thornton") as the Company's independent internal auditor. The internal auditors review the Company's processes and procedures on a continual basis to ensure compliance with the best corporate governance practices. It also reviews interested person transactions.

After consultation with the Audit Committee, Grant Thornton presented their internal audit plan 2006 to the Audit Committee. Grant Thornton has set out a three-year rolling plan to do a comprehensive internal audit of the Company's policies and procedures. The Audit Committee adopted the proposed audit plan.

(E) COMMUNCATION WITH SHAREHOLDERS

Principle 14

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

Commentary

The Board is careful to observe regulations of the Singapore Exchange Securities Trading Limited governing the requirements to make appropriate announcements on a timely basis. Transparency and integrity of information is also important to the Board.

Under the recommendation of the CGAC report, the Board established the Disclosure Committee. This committee comprises three members who are all Non-Executive Directors:

Disclosure Committee

Lee Suet Fern	Chairman
Zhao Shousen	Member
Michael Bennetts	Member

New Disclosure Guidelines were formulated and established under the guidance of the Disclosure Committee and CAO's in-house Legal Counsel. The Disclosure Committee assists the Board in vetting all material disclosures and announcements to ensure that the information contained is factual and fair.

All corporate communications, including SGXNET announcements, must be approved by the Disclosure Committee before they are released by the Company. The Committee studies each disclosure and announcement carefully to ensure that it complies with the law and regulations, and that public announcements contain information relevant to shareholders. Upon approval by the Disclosure Committee, the disclosure or announcement is released under the supervision of CAO's Company Secretary and in-house Legal Counsel.

Apart from quarterly announcements of the Company's financial results and the Annual Report, which are sent to all shareholders within the mandated notice period, the Company releases public announcements via SGXNET to keep shareholders updated.

The Company does not practise selective disclosure of material information. Price sensitive information is first publicly released either before the Company meets with any group of journalists, investors or analysts or simultaneously with such meetings.

Under the recommendation of CGAC, separate procedures are applied to communications between substantial shareholders and the Board. Substantial shareholders can only access information through their nominees on the Board.

STATEMENT OF CORPORATE GOVERNANCE

Principle 15

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

Commentary

At each AGM, shareholders are encouraged to participate in the question and answer session. The Board of Directors, 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.

DEALINGS IN THE COMPANY'S SECURITIES

The Group adopted the Best Practices Guide that requires all employees to abstain from dealing with the Company securities prior to any significant announcement. In this regard, all employees are advised not to deal in the Company's shares for a period commencing two weeks before the announcement of the first and third quarter results and one month before the announcement of the half year and full year results.

Financial Statements

58 Report of the Directors

60 Statement by Directors

61 Independent Auditors' Report

63 Balance Sheets

64 Consolidated Income Statement

65 Consolidated Statement of Changes in Equity

67 Consolidated Cash Flow Statement

69 Notes to the Financial Statements

REPORT OF THE DIRECTORS

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 2006.

Directors

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

Lim Jit Poh	(Appointed on 28 March 2006)
Zhao Shousen	(Appointed on 28 March 2006)
Lee Suet Fern	(Appointed on 28 March 2006)
Liu Fuchun	(Appointed on 28 March 2006)
Yang Chuan	(Appointed on 28 March 2006)
Meng Fanqiu	(Appointed on 28 March 2006)
Paul Jonathan Reed	(Appointed on 9 June 2006)
Michael J Bennetts	(Appointed on 1 January 2007)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), no Director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

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

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 24 to the financial statements, since the end of the last financial year, no Director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

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

Audit Committee

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

- Lee Suet Fern (Chairperson), Independent Director
- Lim Jit Poh, Independent Director
- Liu Fuchun, Independent Director
- Zhao Shousen, Non-Executive, Non-Independent Director
- Paul Jonathan Reed, Non-Executive, Non-Independent Director

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

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

The Audit Committee also reviewed the following:

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

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

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

At the Annual General Meeting of the Company held on 28 April 2006, KPMG were appointed as auditors of the Company. KPMG have indicated their willingness to accept the re-appointment.

On behalf of the Board of Directors

Lim Jit Poh
Director

Yang Chuan
Director

16 March 2007

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 63 to 94 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 2006 and of 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

Lim Jit Poh
Director

Yang Chuan
Director

16 March 2007

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

We have audited the accompanying financial statements of China Aviation Oil (Singapore) Corporation Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 63 to 94.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group for the year ended on that date; and

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

Without qualifying our opinion, we highlight that the financial statements of the Company and the Group for the year ended 31 December 2005 were audited by another firm of Certified Public Accountants. Their audit report dated 28 February 2006 described three matters which qualified their opinion on the financial statements for the year ended 31 December 2005.

The previous auditors were unable to determine whether any adjustments would be required to the financial statements for the year ended 31 December 2005 as a result of a then-ongoing investigation by the Commercial Affairs Department (CAD) into significant losses that the Company had incurred from speculative trading in oil derivatives.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

The previous auditors also reported that there was significant doubt on the ability of the Group and the Company to operate as going concerns, with material uncertainties over the approval of the debt and equity restructuring plans and the Group's ability to generate positive cash flows after its restructuring.

The previous auditors were unable to obtain sufficient financial information to ascertain whether a provision for impairment loss was necessary in respect of certain oil storage properties with a carrying value of S$4,558,000 in the consolidated balance sheet as at 31 December 2005, and the subsidiary which held these properties, which had a carrying value of S$8,221,000 in the Company's balance sheet as at 31 December 2005.

In arriving at our opinion on the financial statements for the year ended 31 December 2006, which is not qualified, we have considered and taken account of these matters reported by the previous auditors. Based on the audit procedures which we have carried out:

(i) there has been no significant development in the CAD investigation during 2006 insofar as it affects the financial position of the Group or the Company, and neither the Group nor the Company made any material adjustments to the financial statements for the year ended 31 December 2006 in relation to any matter arising or that could reasonably be expected to arise from this investigation;

(ii) the material uncertainties which formed the basis for significant doubt on the ability of the Group and the Company to operate as going concerns were removed, with the debt and equity restructuring plans proceeding substantially as planned; and

(iii) a portion of the interests in the oil storage properties were sold in 2007 with no material effect on the financial statements of the Group or the Company. No significant circumstances had arisen in the business of the oil storage properties through the course of 2006 which indicated that any material impairment provision was required in the Group's or the Company's financial statements for their interests in these properties. On this basis, we had concluded that no material impairment provision was required as at the commencement of the financial year.

Accordingly, the matters reported by the previous auditors did not have an effect on the financial statements for the financial year ended 31 December 2006 or on our opinion on those financial statements.

KPMG
Certified Public Accountants

Singapore
16 March 2007

BALANCE SHEETS

As at 31 December 2006

	Note	Group 2006 $'000	Group 2005 (Restated) $'000	Company 2006 $'000	Company 2005 (Restated) $'000
Non-current assets					
Property, plant and equipment	4	14,835	13,761	10,603	9,000
Subsidiaries	5	–	–	7,584	8,232
Associate	6	110,793	108,044	53,652	58,230
Other investments	7	89	105,927	89	105,927
		125,717	227,732	71,928	181,389
Current assets					
Trade and other receivables	8	364,897	68,189	364,712	64,596
Cash and cash equivalents	9	137,419	47,692	111,041	30,275
		502,316	115,881	475,753	94,871
Asset classified as held for sale	10	99,037	–	99,037	–
		601,353	115,881	574,790	94,871
Total assets		727,070	343,613	646,718	276,260
Equity attributable to equity holders of the Company					
Share capital	11	371,119	48,384	371,119	48,384
Share premium	11	–	50,153	–	50,153
Foreign currency translation reserve	12	8,052	2,830	1,339	(46)
Accumulated losses	12	(208,432)	(760,594)	(277,418)	(819,916)
		170,739	(659,227)	95,040	(721,425)
Minority interest		1,647	1,844	–	–
Total equity/(deficit in equity)		172,386	(657,383)	95,040	(721,425)
Non-current liabilities					
Scheme creditors	13	104,155	–	104,155	–
Current liabilities					
Scheme creditors	13	99,827	778,003	99,827	778,003
Trade and other payables	14	344,246	217,302	344,072	217,183
Current tax payable		6,456	5,691	3,624	2,499
		450,529	1,000,996	447,523	997,685
Total liabilities		554,684	1,000,996	551,678	997,685
Total equity and liabilities		727,070	343,613	646,718	276,260

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	Note	2006	2005 (Restated)
		$'000	$'000
Revenue	15	2,935,082	20,749
Cost of sales		(2,912,678)	(3,650)
Gross profit		22,404	17,099
Extinguishment of liabilities under Restructuring Plan	2	311,630	–
Other income	16	31,473	12,235
Distribution expenses		(57)	(43)
Administrative expenses		(11,617)	(9,470)
Other operating expenses	16	(3,698)	(17,037)
Results from operating activities		350,135	2,784
Finance costs	17	(11,191)	(7,058)
Share of profit of associate (net of tax)		35,471	38,809
Profit before income tax		374,415	34,535
Income tax expense	18	(5,521)	(5,111)
Profit for the year	16	368,894	29,424
Attributable to:			
Equity holders of the Company		369,003	29,557
Minority interest		(109)	(133)
		368,894	29,424
Earnings per share:			
Basic and diluted earnings per share (cents)	19	61.69	15.27

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

Group	Note	Share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total attributable to equity holders of the Company $'000	Minority interest $'000	Total equity $'000
At 1 January 2005, as previously reported		48,384	50,153	(1,506)	(762,352)	(665,321)	1,892	(663,429)
Effect of adoption of FRS 21	3.1	–	–	18,573	(27,799)	(9,226)	–	(9,226)
At 1 January 2005, as restated		48,384	50,153	17,067	(790,151)	(674,547)	1,892	(672,655)
Translation differences relating to financial statements of foreign subsidiary and associate		–	–	186	–	186	46	232
Translation differences arising on translation from the functional currency to the presentation currency		–	–	(14,423)	–	(14,423)	39	(14,384)
Net gains/(losses) recognised directly in equity		–	–	(14,237)	–	(14,237)	85	(14,152)
Net profit/(loss) for the year, as previously reported		–	–	–	12,805	12,805	(133)	12,672
Exchange differences arising on change of functional currency		–	–	–	16,752	16,752	–	16,752
Net profit/(loss) for the year, as restated		–	–	–	29,557	29,557	(133)	29,424
Total recognised income and expense for the year		–	–	(14,237)	29,557	15,320	(48)	15,272
At 31 December 2005, as restated		48,384	50,153	2,830	(760,594)	(659,227)	1,844	(657,383)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

Group	Note	Share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total attributable to equity holders of the Company $'000	Minority interest $'000	Total equity $'000
At 1 January 2006, as previously reported		48,384	50,153	603	(749,547)	(650,407)	1,844	(648,563)
Effect of adoption of FRS 21	3.1	–	–	2,227	(11,047)	(8,820)	–	(8,820)
At 1 January 2006, as restated		48,384	50,153	2,830	(760,594)	(659,227)	1,844	(657,383)
Translation differences relating to financial statements of foreign subsidiary and associate		–	–	252	–	252	63	315
Exchange differences arising on translation from the functional currency to the presentation currency		–	–	4,970	–	4,970	(151)	4,819
Extinguishment of liabilities by immediate and ultimate holding company pursuant to the Restructuring Plan	2	–	–	–	183,159	183,159	–	183,159
Net gains/(losses) recognised directly in equity		–	–	5,222	183,159	188,381	(88)	188,293
Net profit/(loss) for the year		–	–	–	369,003	369,003	(109)	368,894
Total recognised income and expense for the year		–	–	5,222	552,162	557,384	(197)	557,187
Issue of ordinary shares to new shareholders pursuant to the Restructuring Plan	2	219,967	–	–	–	219,967	–	219,967
Issue of ordinary shares to holding company pursuant to the Restructuring Plan	2	15,390	–	–	–	15,390	–	15,390
Issue of ordinary shares to scheme creditors pursuant to the Restructuring Plan	2	37,225	–	–	–	37,225	–	37,225
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	11	50,153	(50,153)	–	–	–	–	–
At 31 December 2006		371,119	–	8,052	(208,432)	170,739	1,647	172,386

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	2006 $'000	2005 (Restated) $'000
Operating activities		
Profit for the year	368,894	29,424
Adjustments for:		
Depreciation of property, plant and equipment	709	1,076
Loss on disposal of property, plant and equipment	–	6
Reversal of impairment loss on property, plant and equipment	(2,513)	–
Share of profits of associate	(35,471)	(38,809)
Extinguishment of liabilities under Restructuring Plan	(311,630)	–
Fair value adjustment on amounts due to scheme creditors	(8,133)	–
Dividend income	(15,206)	(10,968)
Interest income	(6,465)	(492)
Finance costs	11,191	7,058
Income tax expense	5,521	5,111
	6,897	(7,594)
Changes in working capital:		
Trade and other receivables	(365,382)	10,945
Trade and other payables	323,688	6,314
Cash (used in)/generated from operations	(34,797)	9,665
Income taxes paid	(4,478)	(2,338)
Cash flows from operating activities	(39,275)	7,327
Investing activities		
Interest received	6,408	446
Dividends received	109,576	17,283
Purchase of property, plant and equipment	(267)	(85)
Additional consideration paid for purchase of other investment	(2,181)	–
Cash flows from investing activities	113,536	17,644
Financing activities		
Interest paid	(9,092)	(7,058)
Payments to scheme creditors	(188,735)	–
Proceeds from issue of shares	219,967	–
Proceeds from issue of shares placed in Escrow account for payment to scheme creditors (Note a)	(18,149)	–
Release of Escrow account balance	11,825	–
Cash flows from financing activities	15,816	(7,058)
Net increase in cash and cash equivalents	90,077	17,913
Cash and cash equivalents at beginning of the year	47,692	29,242
Effect of exchange rate fluctuations on cash held	(6,674)	537
Cash and cash equivalents at end of the year (Note b)	131,095	47,692

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

Note a

Cash and cash equivalents include an amount of approximately $18 million placed in an Escrow account. This account was set up for the proceeds received from the issuance of shares by the Company to make payments to the scheme creditors pursuant to the Restructuring Plan as set out in note 2 to the financial statements.

Note b

	2006	**2005 (Restated)**
	$'000	$'000
Cash and cash equivalents in the balance sheets	137,419	47,692
Balance in Escrow account	(6,324)	–
Cash and cash equivalents in the consolidated cash flow statement	131,095	47,692

Note c

Significant non-cash transactions:		
Issue of ordinary shares to holding company pursuant to the Restructuring Plan (see note 2)	15,390	–
Issue of ordinary shares to scheme creditors pursuant to the Restructuring Plan (see note 2)	37,225	–

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 16 March 2007.

1 Domicile and activities

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

The principal activities of the Company are those relating to the trading in aviation oil, petroleum products and investment holding. In the previous financial year, the Company did not carry out any trading activities. Its jet fuel procurement business was carried out by a wholly-owned subsidiary, CAOT Pte Ltd, on an agency basis. On 25 May 2006, the Company resumed procurement on a principal basis.

The principal activities of the subsidiaries are set out in note 5 below.

The immediate and ultimate holding company during the financial year was China National Aviation Fuel Holding Company (CNAF) (formerly known as China Aviation Oil Holding Company), incorporated in the People's Republic of China (PRC).

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

2 Restructuring Plan

On 5 December 2005, the Company announced a plan to restructure the debt and equity of the Group (Restructuring Plan) to rehabilitate the Company as a going concern and lift the suspension of trading of the Company's shares on the SGX-ST. The Restructuring Plan, set out in a shareholders' circular dated 8 February 2006, was approved by shareholders at the Extraordinary General Meeting held on 3 March 2006, and sanctioned by the High Court of Singapore on 21 March 2006. It became effective on 28 March 2006. On 29 March 2006, trading of the Company's shares resumed on the SGX-ST.

The Restructuring Plan comprised, inter alia, the following components:

(i) every five ordinary shares of the Company were consolidated into one ordinary share (the Share), with the 967,679,992 shares of the Company consolidated into 193,535,998 Shares;

(ii) creditors with total amounts owing from the Company of $564,019,000 waived $311,630,000 under a scheme of arrangement established under section 210 of the Companies Act. In addition, certain creditors were invited to apply for shares and were issued 72,282,000 Shares in discharge of $37,225,000 of amounts owing by the Company. The remaining amounts owing of $215,164,000 (the scheme creditors) were rescheduled to be repayable over five years, with interest payable at the London interbank offered rate ("LIBOR").

(iii) the holding company CNAF waived $183,159,000 owing to it by the Company and converted the remaining amount of $15,390,000 into 29,881,278 Shares at $0.515 per Share. CNAF also directed the Company to allot 27,171,435 of these Shares, on an ex-gratia and pro-rata basis, to the other shareholders under the Shareholders' Scheme.

(iv) new shareholders subscribed for 427,121,261 Shares for $219,967,000, at $0.515 per Share.

2 Restructuring exercise (cont'd)

Arising from the Restructuring Plan:

(i) the Group recorded a gain of $311,630,000 in the consolidated income statement from the extinguishment of liabilities owing to creditors;

(ii) the Group recorded a non-taxable gain of $183,159,000 in the consolidated statement of changes in equity from the extinguishment of liabilities owing to the holding company, this being a capital transaction with the major shareholder; and

(iii) the Group issued a total of 529,284,559 Shares for total proceeds of $272,582,000 which have been recorded in share capital.

3 Summary of significant accounting policies

3.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis. Non-current assets and disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The financial statements are presented in Singapore dollars and has been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of FRS that have a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the following year are discussed in note 26.

Change in functional currency

Pursuant to FRS 21 (revised) – *The Effects of Changes in Foreign Exchange Rates*, the Group has reassessed the appropriateness of the functional currency of the Company and concluded that the US dollar best reflects the economic substance of the underlying events and circumstances relevant to the Company. Consequent to the adoption of the US dollar as the functional currency, the Company re-measured all its transactions in US dollars in accordance with the requirements of FRS 21 (revised), as if the accounting records had been kept in US dollars since incorporation. The change in accounting policy has been accounted for by restating comparatives and adjusting the opening balances of accumulated losses as at 1 January 2006.

During the year, the Group announced that the Company's and the Group's financial statements will be presented in the US dollar with effect from 1 January 2007. The listing of the Company's shares on the SGX-ST in Singapore dollars and the payment of any dividends in the future in Singapore dollars remain unchanged.

Except for the above changes, the accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

3 Summary of significant accounting policies (cont'd)

3.2 Consolidation

Business combinations

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

Subsidiaries

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

Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

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

Accounting for subsidiaries and associates

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

3.3 Foreign currencies

Foreign currency transactions

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

3 Summary of significant accounting policies (cont'd)

3.3 Foreign currencies (cont'd)

Foreign operations

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

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

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

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

The estimated useful lives are as follows:

Leasehold properties	50 years
Oil storage properties	4 to 30 years
Motor vehicles	8 to 10 years
Office equipment	5 to 8 years
Furniture and fittings	5 years
Renovations	5 years
Computers	3 years

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

3 Summary of significant accounting policies (cont'd)

3.5 Intangible assets

Goodwill

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

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

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

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

3.6 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items (see note 3.3), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

3 Summary of significant accounting policies (cont'd)

3.6 Financial instruments (cont'd)

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

3.7 Impairment – non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

3 Summary of significant accounting policies (cont'd)

3.8 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured under different rules in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

3.9 Employee benefits

Defined contribution plans

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

Short-term benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.10 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.

3.11 Revenue recognition

Sale of goods

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

Commission

The Group earns commission income for acting as an agent for the procurement of jet fuel. Commission is recognised on completion of a transaction which generally coincides with delivery and acceptance of the goods by the principal.

Services

Service revenue is recognised upon service rendered.

3 Summary of significant accounting policies (cont'd)

3.12 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3.13 Income tax expense

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

4 Property, plant and equipment

	Leasehold properties $'000	Oil storage properties $'000	Motor vehicles $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Computers $'000	Total $'000
Group								
Cost								
At 1 January 2005	15,059	4,566	901	103	263	1,286	422	22,600
Additions	–	45	31	–	–	–	9	85
Disposals	–	(6)	–	–	–	–	–	(6)
Translation differences on consolidation	281	206	16	3	6	21	8	541
At 31 December 2005	15,340	4,811	948	106	269	1,307	439	23,220
Additions	–	–	–	3	7	226	31	267
Disposals	–	–	–	–	–	(435)	–	(435)
Translation differences on consolidation	(1,206)	(232)	(56)	(9)	(21)	(90)	(35)	(1,649)
At 31 December 2006	14,134	4,579	892	100	255	1,008	435	21,403

4 Property, plant and equipment (cont'd)

	Leasehold properties $'000	Oil storage properties $'000	Motor vehicles $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Computers $'000	Total $'000
Group								
Accumulated depreciation and impairment losses								
At 1 January 2005	6,778	–	363	56	143	725	166	8,231
Depreciation charge for the year	307	250	87	20	52	228	132	1,076
Translation differences on consolidation	126	3	6	1	3	10	3	152
At 31 December 2005	7,211	253	456	77	198	963	301	9,459
Depreciation charge for the year	50	230	86	16	41	177	109	709
Disposals	–	–	–	–	–	(435)	–	(435)
Reversal of impairment losses	(2,513)	–	–	–	–	–	–	(2,513)
Translation differences on consolidation	(493)	(15)	(29)	(7)	(16)	(67)	(25)	(652)
At 31 December 2006	4,255	468	513	86	223	638	385	6,568
Carrying amount								
At 1 January 2005	8,281	4,566	538	47	120	561	256	14,369
At 31 December 2005	8,129	4,558	492	29	71	344	138	13,761
At 31 December 2006	9,879	4,111	379	14	32	370	50	14,835

4 Property, plant and equipment (cont'd)

	Leasehold properties $'000	Motor vehicles $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Computers $'000	Total $'000
Company							
Cost							
At 1 January 2005	15,059	609	103	233	1,120	422	17,546
Additions	–	–	–	–	–	9	9
Translation differences	281	11	3	6	21	8	330
At 31 December 2005	15,340	620	106	239	1,141	439	17,885
Additions	–	55	3	7	226	31	322
Disposals	–	–	–	–	(435)	–	(435)
Translation differences	(1,206)	(48)	(9)	(20)	(90)	(35)	(1,408)
At 31 December 2006	14,134	627	100	226	842	435	16,364
Accumulated depreciation and impairment losses							
At 1 January 2005	6,778	245	56	136	560	166	7,941
Depreciation charge for the year	307	62	20	47	228	132	796
Translation differences	126	5	1	3	10	3	148
At 31 December 2005	7,211	312	77	186	798	301	8,885
Depreciation charge for the year	50	70	16	38	177	109	460
Disposals	–	–	–	–	(435)	–	(435)
Reversal of impairment losses	(2,513)	–	–	–	–	–	(2,513)
Translation differences	(493)	(28)	(7)	(16)	(67)	(25)	(636)
At 31 December 2006	4,255	354	86	208	473	385	5,761
Carrying amount							
At 1 January 2005	8,281	364	47	97	560	256	9,605
At 31 December 2005	8,129	308	29	53	343	138	9,000
At 31 December 2006	9,879	273	14	18	369	50	10,603

An independent valuation of the leasehold properties of the Group and the Company was carried out by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, a qualified independent valuer, at open market value on an existing use basis. Based on the independent valuation carried out, an amount of $2,513,000 of the initially recognised impairment loss made in 2004 was reversed during the current financial year. The reversal of impairment loss was recognised in other operating expenses.

5 Subsidiaries

	Company 2006 $'000	Company 2005 (Restated) $'000
Unquoted equity investments, at cost	7,584	8,232

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group 2006 %	Effective equity held by the Group 2005 %
Greater China Travel Industry (Singapore) Pte Ltd	Placed under voluntary liquidation	Singapore	100	100
China Aviation Oil Spain, S.A.	Dormant	Spain	100	100
China Aviation Oil Xinyuan Petrochemicals Co. Ltd (Xinyuan)	Aviation oil trader	People's Republic of China	80	80
CAOT Pte Ltd	Jet fuel procurement agent	Singapore	100	100

6 Associate

	Group 2006 $'000	Group 2005 (Restated) $'000	Company 2006 $'000	Company 2005 (Restated) $'000
Investment in associate	110,793	108,044	53,652	58,230

The investment in associate at 31 December 2006 includes goodwill of $37,726,000 (2005: $37,726,000).

Details of the associate are as follows:

Name of associate	Principal activities	Country of incorporation	Effective equity held by the Group 2006 %	Effective equity held by the Group 2005 %
# Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd (SPIA)	Supply of aviation fuel	People's Republic of China	33	33

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

6 Associate (cont'd)

Summarised financial information on the associate is set out below:

	Associate	
	2006	**2005 (Restated)**
	$'000	$'000
Assets and liabilities		
Non-current assets	81,129	77,449
Current assets	877,725	611,611
Total assets	958,854	689,060
Current and total liabilities	(737,439)	(475,975)
Results		
Revenue	2,451,144	1,911,629
Expenses	(2,343,656)	(1,794,026)
Profit after taxation	107,488	117,603
Group's share of the associate's contingent liabilities	(37,150)	(45,033)
Group's share of the associate's capital commitments	(3,398)	(818)

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

7 Other investments

	Group and Company	
	2006	**2005 (Restated)**
	$'000	$'000
Available-for-sale equity securities, at cost	–	105,831
Other investments	89	96
	89	105,927

Available-for-sale equity securities in the prior year represent the 5% equity interest in Compania Logistica de Hidrocarburos, S.A (CLH), comprising 3,502,923 registered voting shares acquired by the Company on 31 July 2002. The investment has been classified as held for sale in the current year as detailed in note 10.

8 Trade and other receivables

	Group		Company	
	2006	2005 (Restated)	2006	2005 (Restated)
	$'000	$'000	$'000	$'000
Trade receivables	247,661	2,056	247,629	1,990
Allowance for impairment	(1,833)	(1,604)	(1,833)	(1,604)
Net receivables	245,828	452	245,796	386
Prepayments, deposits and other receivables	1,839	418	842	230
Amounts due from:				
– holding company (non-trade)	185	1,159	185	1,159
– subsidiary (non-trade)	–	–	844	954
– associate (non-trade)	49	61,697	49	61,697
– related corporations				
– trade	116,989	4,293	116,989	–
– non-trade	7	170	7	170
	364,897	68,189	364,712	64,596

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers, except for amounts receivable from related corporations and the associate. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

The non-trade balances with the holding company, subsidiary, associate and related corporations are unsecured and interest-free, and are repayable on demand. There is no allowance for impairment arising from the outstanding balances.

Transactions with related parties are unsecured and priced on terms agreed between the parties.

Trade receivables denominated in currencies other than the functional currencies of Group entities comprise $32,000 (2005: $66,000) denominated in Singapore dollars.

9 Cash and cash equivalents

	Group		Company	
	2006	2005 (Restated)	2006	2005 (Restated)
	$'000	$'000	$'000	$'000
Cash at bank and in hand	18,470	28,979	14,896	11,562
Deposits with financial institutions	118,949	18,713	96,145	18,713
	137,419	47,692	111,041	30,275

The weighted average effective interest rate relating to cash and cash equivalents at the balance sheet date for the Group and the Company is 5.07% (2005: 3.69%) per annum. The interest rates are repriceable within one month.

10 Asset classified as held for sale

The 5% equity interest in CLH is presented as held for sale following the decision of the Group's management on 26 October 2006 to sell this investment in order to fund the payment of the first instalment to scheme creditors which is due and payable on 28 March 2007. Subsequent to the current financial year end, the Company entered into a conditional share purchase agreement for the sale of its equity interest in CLH.

11 Share capital

	Company			
	2006		2005	
	Number of shares ('000)	$'000	Number of shares ('000)	$'000
Issued and fully-paid:				
At 1 January	967,680	48,384	967,680	48,384
Share consolidation (see note 2)	(774,144)	–	–	–
Issue of ordinary shares pursuant to the Restructuring Plan (see note 2)	529,285	272,582	–	–
Transfer of share premium to share capital	–	50,153	–	–
At 31 December	722,821	371,119	967,680	48,384

On the date of commencement of the Companies (Amendment) Act 2005 on 30 January 2006:

(a) the concept of authorised share capital was abolished;

(b) shares of the Company ceased to have a par value; and

(c) the amount standing to the credit of the Company's share premium account of $50,153,000 became part of the Company's share capital.

Prior to this, the authorised share capital of the Company was $130,000,000, comprising 2,600,000,000 ordinary shares of $0.05 each.

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.

12 Reserves and accumulated losses

The foreign currency translation reserve comprises:

(a) 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; and

(b) foreign exchange differences arising on translation of the financial statements from the functional currency to the presentation currency.

After the balance sheet date, the Directors proposed a final net dividend of 2.00 cents (2005: Nil) per share, comprising 0.39 cents (net of 18% tax) and 1.61 cents (tax-exempt), amounting to a net dividend of $14,456,000 (2005: Nil). The dividends have not been provided for.

13 Scheme creditors

	Group and Company 2006 $'000	Group and Company 2005 (Restated) $'000
Amount due within 12 months	99,827	778,003
Amount due after 12 months	104,155	–
	203,982	778,003

Scheme creditors relate to amounts which remain owing to creditors of the Company after the completion of the Restructuring Plan (see note 2).

Terms and debt repayment schedule

Terms and conditions of the outstanding balance due to scheme creditors are as follows:

Group and Company	Nominal interest rate %	Year of maturity	2006 Face value $'000	2006 Carrying amount $'000	2005 Face value $'000	2005 Carrying amount $'000
Scheme creditors	LIBOR*	2011	209,642	203,982	778,003	778,003

* London Interbank Offered Rate

The carrying value of the scheme creditors at 31 December 2006 included unamortised interest amounting to $5,660,000.

Maturity of Scheme Creditors

	Group and Company Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000	Total $'000
2006	99,827	30,034	74,121	203,982
2005	778,003	–	–	778,003

Effective interest rates and repricing/maturing analysis

Group and Company	Effective interest rate %	Floating interest $'000	Fixed interest rate maturing within 1 year $'000	Fixed interest rate maturing in 1 to 5 years $'000	Fixed interest rate maturing after 5 years $'000	Total $'000
2006	4.96 – 5.48	203,982	–	–	–	203,982
2005	2.68 – 7.00	–	778,003	–	–	778,003

14 Trade and other payables

	Group		Company	
	2006	2005 (Restated)	2006	2005 (Restated)
	$'000	$'000	$'000	$'000
Trade payables	332,422	248	332,419	246
Accrued operating expenses	9,097	9,815	9,067	9,795
Other payables	2,727	3,854	2,586	3,660
Non-trade amounts due to:				
– holding company	–	203,385	–	203,385
– subsidiaries	–	–	–	97
	344,246	217,302	344,072	217,183

The amount owing to the holding company was extinguished and converted into Shares under the Restructuring Plan (see note 2).

15 Revenue

	Group	
	2006	2005 (Restated)
	$'000	$'000
Sale of aviation oil	2,925,025	3,675
Commission income	10,057	17,074
	2,935,082	20,749

16 Profit for the year

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

	Group 2006 $'000	Group 2005 (Restated) $'000
Other income:		
Dividend income	15,206	10,968
Interest income	6,465	492
Fair value adjustment on amounts due to scheme creditors	8,133	–
Foreign exchange gain	366	265
Others	1,303	510
	31,473	12,235
Professional fees paid to financial advisors	1,312	5,161
Professional fees paid to investigating accountants	–	4,892
Professional fees paid to legal advisors	1,348	4,355
Non-audit fees paid to auditors of the Company	125	70
Staff costs	5,802	3,312
Contributions to defined contribution plans included in staff costs	612	621
Allowance for impairment on trade debts	229	–
Bad debts written off	1,066	–
Reversal of impairment loss on property, plant and equipment	(2,513)	–
Loss on disposal of property, plant and equipment	–	6

17 Finance costs

	Group 2006 $'000	Group 2005 (Restated) $'000
Interest expense:		
– scheme creditors	8,390	–
– financial liabilities measured at amortised cost	2,099	–
– others	–	6,579
Bank charges	702	479
	11,191	7,058

18 Income tax expense

	Group	
	2006	2005 (Restated)
	$'000	$'000
Current tax expense		
Current year	4,396	5,111
Underprovided in prior years	1,125	–
Income tax expense	5,521	5,111

Reconciliation of effective tax rate

Group	2006	2005 (Restated)
	$'000	$'000
Profit before income tax	374,415	34,535
Tax calculated using Singapore tax rate of 20% (2005: 20%)	74,883	6,907
Effect of different tax rates in other countries	(817)	(612)
Effects of results of associate presented net of tax	(7,094)	(7,762)
Extinguishment of liabilities not subject to tax	(27,339)	–
Other income not subject to tax	(2,061)	–
Expenses not deductible for tax purposes	421	6,308
Deferred tax assets not recognised	178	270
Underprovided in prior years	1,125	–
Utilisation of previously unrecognised tax losses	(33,775)	–
	5,521	5,111

The following temporary differences have not been recognised:

	Group		Company	
	2006	2005 (Restated)	2006	2005 (Restated)
	$'000	$'000	$'000	$'000
Deductible temporary differences	290	142	290	142
Tax losses	45,617	213,952	43,976	212,851
	45,907	214,094	44,266	212,993

The tax losses are subject to agreement with the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items due to the uncertainty of the availability of future taxable profit against which the Group can utilise the benefits.

As at 31 December 2006, deferred tax liability for unremitted earnings of the Group's subsidiary and associate has not been recognised, as the Group is not expected to incur additional tax obligations should these earnings be remitted into Singapore, due either to the availability of double taxation relief or tax exemption granted for such foreign-sourced dividend income in accordance with current tax legislation in Singapore.

19 Earnings per share

	Group 2006	Group 2005	Group 2005 As previously reported
	$'000	$'000	$'000
Basic earnings per share is based on:			
Net profit attributable to ordinary shareholders	369,003	29,557	12,805

	Group 2006 No. of shares ('000)	Group 2005 No. of shares ('000)	Group 2005 As previously reported ('000)
Issued ordinary shares at beginning of the year	967,680	967,680	967,680
Effect of share consolidation	(774,144)	(774,144)	–
Issue of Shares	404,576	–	–
Weighted average number of Shares at the end of the year	598,112	193,936	967,680

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

20 Segment reporting

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly extinguishment of liabilities under the Restructuring Plan, investments and related revenue, scheme creditors and related interest expense, associates and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

Business segments

The Group comprises the following main business segments:

Clean petroleum products	:	Jet fuel, Gasoil and Naphtha
Commission	:	Commission earned as jet fuel procurement agent

Geographical segments

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

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

20 Segment reporting (cont'd)

Group

Business segments

	Clean petroleum products		Commission		Total operations	
	2006	2005 (Restated)	2006	2005 (Restated)	2006	2005 (Restated)
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	2,925,025	3,675	10,057	17,074	2,935,082	20,749
Segment results	12,347	25	10,057	17,074	22,404	17,099
Other operating income						
– Extinguishment of liabilities pursuant to Restructuring Plan					311,630	–
– Others					31,473	12,235
Unallocated expenses					(15,372)	(26,550)
Results from operating activities					350,135	2,784
Finance costs					(11,191)	(7,058)
Share of profit of associate					35,471	38,809
Income tax expense					(5,521)	(5,111)
Profit for the year					368,894	29,424
Assets and liabilities						
Segment assets	493,802	112,199	23,071	17,107	516,873	129,306
Investment in associate					110,793	108,044
Unallocated assets					99,404	106,263
Total assets					727,070	343,613
Segment liabilities	548,079	995,178	32	12	548,111	995,190
Unallocated liabilities					6,573	5,806
Total liabilities					554,684	1,000,996
Other segment information						
Capital expenditure	267	85	–	–	267	85
Depreciation of property, plant and equipment	709	1,076	–	–	709	1,076
Reversal of impairment losses on property, plant and equipment	2,513	–	–	–	2,513	–

20 Segment reporting (cont'd)

Geographical segments

	People's Republic of China		Other regions		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	2,935,082	20,749	–	–	2,935,082	20,749
Segment assets	119,056	117,352	608,014	226,261	727,070	343,613
Capital expenditure	–	76	267	9	267	85

21 Financial instruments

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

The Group has a credit policy in place which monitors their balances with customers on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are entered into only with counterparties who have sound credit ratings.

At the balance sheet date, there was no significant concentration of credit risk other than for balances with related corporations and cash balances held at banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Interest rate risk

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

Foreign currency risk

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

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

21 Financial instruments (cont'd)

Estimation of fair values

Investments in equity securities

The investments in equity securities represent the 5% equity interest in CLH. Subsequent to the financial year end, the Company entered into an agreement to dispose of this investment for a consideration of Euro 171 million ($345 million). The fair value of the Group's investment in CLH as at 31 December 2006 is estimated to be the same value as the sale consideration. In the previous year, the Directors were not able to reliably determine the fair value of these unquoted shares.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Other financial assets and liabilities

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

Interest rates used in determining fair values

The interest rate used to discount the estimated cash flows pertaining to scheme creditors is at LIBOR as at 31 December 2006 plus a credit spread which together approximates the Group's cost of borrowing.

The aggregate net fair values of recognised financial assets and liabilities which are not carried at fair values in the balance sheet at 31 December are represented in the following table:

Group and Company	**Carrying amount 2006** $'000	**Fair value 2006** $'000	**Carrying amount 2005** $'000	**Fair value 2005** $'000
Financial liabilities				
Scheme creditors	203,982	195,937	–	–
Unrecognised gain		8,045		–

22 Commitments

As at balance sheet dates, the Company has commitment in respect of additional consideration for the purchase of the 5% shares in CLH, which may be payable (or receivable), based on the Company's share of the gains (or losses) on disposal of certain non-core properties as predefined in the sale and purchase agreement, if CLH disposes of any of these properties within 10 years (assessed once a year until 2012) after the completion date of the purchase of CLH shares. The commitment would expire at the earlier of the date of disposal of the non-core properties or 31 July 2012. As at 31 December 2006, the carrying values of the non-core properties that have yet to be disposed of amounted to approximately Euro 6.8 million ($13.7 million) (2005: Euro 6.8 million ($13.4 million)).

23 Contingent liabilities

Claim of custom 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 exempted 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 exempted from the payment of custom 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 custom duties in respect of the international sales from 1999 onwards although they had paid the custom duties and VAT to SPIA during that period. Accordingly, the customer requested the refund of the overcharged custom duties and VAT for the first half of 2003 amounting to RMB 42 million ($8.3 million). On 28 September 2004, SPIA received a legal letter from the customer which claimed that they should be paid for overcharged custom duties and VAT for the period from October 1999 to June 2004 amounting to RMB 570 million ($112.6 million) (2005: RMB 570 million ($118.3 million)).

No provision for this claim has been made as SPIA's management is of the opinion that the claim made by the customer is invalid and would be resolved through the gradual reformation of the pricing policy of the aviation oil industry by the Government of the People's Republic of China. No other claim from other customers has been received by the associate.

24 Related parties

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

Key management personnel compensation

Key management personnel compensation comprises:

	2006 $'000	2005 (Restated) $'000
Directors' fees	1,427	–
Directors' remuneration	175	19
Key Executive Officers' remuneration	597	1,508
	2,199	1,527

24 Related parties (cont'd)

Other related party transactions

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

	Group	
	2006	**2005 (Restated)**
	$'000	$'000
Corporate shareholder		
Purchase of jet fuel	57,969	–
Related corporations		
Sale of jet fuel	1,243,114	–
Commission income received	5,692	10,084
Associate		
Sale of jet fuel	1,667,832	–
Commission income received	4,365	6,958

25 Subsequent events

(i) Sale of CLH

On 24 January 2007, the Company entered into a conditional agreement with Caixa De Afforros De Vigo Ourense E Pontevedra (Caixanova) for the sale of its 5% equity interest in CLH for a consideration of Euro 171 million ($345 million).

On 1 February 2007, the Company obtained a waiver from the Singapore Exchange Securities Trading Limited from the requirement to seek approval from its shareholders for the proposed transaction.

ii) Sale of 41% stake in China Aviation Oil Xinyuan Petrochemicals Co. Ltd (Xinyuan)

On 29 January 2007, the Company signed a share sale and purchase agreement to sell 41% of its 80% equity interest in Xinyuan to Shenzhen Juzhengyuan Petrolchemicals Co. Ltd (Juzhengyuan), an existing shareholder of Xinyuan, for a consideration of RMB20.5 million ($4 million).

Upon completion of the sale, Xinyuan will cease to be a subsidiary and become an associate of the Group.

26 Accounting estimates and judgement in applying accounting policies

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.

Impairment loss on trade receivables

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

Income taxes

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

27 Comparative information

Change in functional currency

As described in note 3.1, the Company identified the US dollar as its functional currency and has re-measured all its transactions in the US dollar in accordance with the requirements of FRS 21 (revised), as if the accounting records had been kept in the US dollar since incorporation. The effects arising from the change in functional currency of the Company are set out in the statement of changes in equity.

Change in classification

Following the completion of the Restructuring Plan, bank borrowings, including bank overdraft, and trade and other payables for which their repayment have been restructured, are grouped as scheme creditors. Comparatives have been restated to enhance comparability. The effects arising from this reclassification are as follows:

	2005 (As restated) $'000	**2005 (As previously reported)** $'000
Group		
Interest-bearing loans and borrowings	–	368,182
Trade and other payables	217,302	627,123
Scheme creditors	778,003	–
Company		
Interest-bearing loans and borrowings	–	376,896
Trade and other payables	217,183	618,290
Scheme creditors	778,003	–

28 New accounting standards and interpretations not yet adopted

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

FRS 40	*Investment Property*
FRS 107	*Financial Instruments: Disclosures* and the Amendment to FRS 1 *Presentation of Financial Statements: Capital Disclosures*
INT FRS 107	*Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies*
INT FRS 108	*Scope of FRS 102 Share-based Payment*
INT FRS 109	*Reassessment of Embedded Derivatives*
INT FRS 110	*Interim Financial Reporting and Impairment*

FRS 107 and amended FRS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to the Group's financial instruments and share capital. This standard does not have any impact on the recognition and measurement of the Group's financial statements.

The initial application of these standards and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

SHAREHOLDING INFORMATION

As at 19 March 2007

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	3,322	19.83	1,737,086	0.24
1,000 – 10,000	10,769	64.27	43,361,594	6.00
10,001 – 1,000,000	2,648	15.80	91,763,033	12.69
1,000,001 AND ABOVE	16	0.10	585,958,824	81.07
TOTAL	16,755	100.00	722,820,537	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO.OF SHARES	%
1	DBS Vickers Securities (S) Pte Ltd	370,080,655	51.20
2	BP Investments Asia Limited	144,564,119	20.00
3	Aranda Investments Pte Ltd	33,611,158	4.65
4	United Overseas Bank Nominees Pte Ltd	7,575,886	1.05
5	Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,175,030	0.58
6	DBS Nominees Pte Ltd	3,976,485	0.55
7	OCBC Securities Private Ltd	3,752,680	0.52
8	UOB Kay Hian Pte Ltd	3,442,813	0.48
9	Citibank Consumer Nominees Pte Ltd	3,226,434	0.45
10	Phillip Securities Pte Ltd	2,403,061	0.33
11	HSBC (Singapore) Nominees Pte Ltd	2,096,546	0.29
12	ING Nominees (Singapore) Pte Ltd	1,690,000	0.23
13	CitiBank Nominees Singapore Pte Ltd	1,681,758	0.23
14	OCBC Nominees ingapore Pte Ltd	1,464,662	0.20
15	Chua Thiam Seng	1,200,000	0.17
16	Raffles Nominees Pte Ltd	1,017,537	0.14
17	Kim Eng Securities Pte. Ltd.	776,335	0.11
18	Lim Chong Cheng	733,000	0.10
19	CIMB-GK Securities Pte. Ltd.	715,309	0.10
20	Bank of China Nominees Pte Ltd	699,166	0.10
	Total	588,882,634	81.48

SUBSTANTIAL ORDINARY SHAREHOLDERS
(As shown in the Register of Substantial Shareholders as at 19 March 2007)

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

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

As at 19 March 2007, approximately 29.12% of CAO's issued ordinary shares are held by the public and, therefore, Rule 723 of the Listing Manual is complied with.

NOTICE OF ANNUAL GENERAL MEETING

China Aviation Oil (Singapore) Corporation Ltd
Company Registration Number: 199303293Z

NOTICE IS HEREBY GIVEN that the Thirteen Annual General Meeting of the Company will be held at Suntec Singapore International Convention and Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, Meeting Room 208-209, Level 2, on Monday, 30 April 2007 at 3:00 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' report and audited financial statements for the financial year ended 31 December 2006 and the auditors' report thereon. **(Resolution 1)**

2. To declare:

    (a) a final dividend of S$0.0048 (net: S$0.0039) per ordinary share for the year ended 31 December 2006; and

    (b) a final tax-exempt dividend of S$0.0161 per ordinary share for the year ended 31 December 2006. **(Resolution 2)**

3. To approve the proposed Directors' fees of S$426,712 for the financial year ended 31 December 2006 (2005: no Directors fees were paid) **(Resolution 3)**

4. To appoint Mr Sun Li as a new Director of the Company. **(Resolution 4)**

5. To re-elect Mr Lim Jit Poh, a Director who is retiring by rotation pursuant to Article 91 of the Articles of Association of the Company and who, being eligible, offers himself for re-election. **(Resolution 5)**

6. To re-elect Mr Liu Fuchun, a Director who is retiring by rotation pursuant to Article 91 of the Articles of Association of the Company and who, being eligible, offers himself for re-election. **(Resolution 6)**

7. To re-elect Mrs Lee Suet Fern, a Director who is retiring by rotation pursuant to Article 91 of the Articles of Association of the Company and who, being eligible, offers herself for re-election. **(Resolution 7)**

8. To re-elect Mr Paul Reed, a Director who is retiring at the 13th AGM pursuant to Article 97 of the Articles of Association of the Company and who, being eligible offers himself for re-election. **(Resolution 8)**

9. To re-elect Mr Michael Bennetts, a Director who is retiring at the 13th AGM pursuant to Article 97 of the Articles of Association of the Company and who, being eligible offers himself for re-election. **(Resolution 9)**

10. To re-appoint Messrs KPMG as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**

11. To transact any other business of an Annual General Meeting.

AS SPECIAL BUSINESS

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

12. That pursuant to Section 161, 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 the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

Provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued 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 10 per cent of the issued 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 Singapore Exchange Securities Trading Limited ("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 shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:

    (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

    (ii) any subsequent consolidation or sub-division 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 Monetary Authority of Singapore) 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 11)**

13. "That the Directors be and are hereby authorised to offer and grant options under the China Aviation Oil Share Option Scheme 2001 (the "Scheme") and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options, provided always that the aggregate number of the shares to be issued pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company for the time being." **(Resolution 12)**

14. "That:

(a) approval be and is hereby given, for the purposes of Chapter 9 ("Chapter 9") of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Annual Report of the Company dated 13 April 2007 ("Appendix") with any party who is of the class of interested persons described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval ("Shareholders' Mandate") given in paragraph (a) above shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution." **(Resolution 13)**

BY ORDER OF THE BOARD

Adrian Chang
Company Secretary

Singapore
13 April 2007

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 28 April 2007.

Explanatory Notes:

Resolution 2 The ordinary resolution proposed, if passed, will empower the Company to pay ordinary dividends of Singapore 2 cents per ordinary share comprising (a) a net dividend of Singapore 0.39 cents (franked) and (b) a tax-exempt dividend of Singapore 1.61 cents.

Resolution 4 Mr Sun Li's Curriculum Vitae can be found at the Proposed Director section on page 40 of this Annual Report. If successfully appointed to the Board, Mr Sun shall assume the position of Deputy Chairman of the Board.

Resolution 5 Mr Lim Jit Poh is considered to be an Independent Non-Executive Director. He is the Chairman of the Board, the Remuneration Committee and Risk Management Committee. He is also a member of the Audit Committee and Nominating Committee.

Resolution 6 Mr Liu Fuchun is considered to be an Independent Non-Executive Director. He is the Chairman of the Nominating Committee. He is also a member of the Audit Committee and Remuneration Committee.

Resolution 7 Mrs Lee Suet Fern is considered to be an Independent Non-Executive Director. She is the Chairperson of the Audit Committee and Disclosure Committee. She is also a member of the Remuneration Committee and Nominating Committee.

Resolution 8 Mr Paul Reed is considered to be a Non-Executive Non-Independent Director. He is a member of the Audit Committee and Risk Management Committee.

Resolution 9 Mr Michael Bennetts is considered to be a Non-Executive Non-Independent Director. He is a member of the Remuneration Committee, Nominating Committee and Disclosure Committee.

Resolution 11 The ordinary resolution proposed, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting, to issue shares in the Company. The aggregate number of shares which the Directors may issue under this Resolution shall not exceed fifty per cent (50%) of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per cent (20%) of the issued share capital of the Company. The percentage of issued share capital is based on the Company's issued share capital at the time this proposed Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion of convertible securities or share options on issue at the time this proposed Ordinary Resolution is passed; and (b) any subsequent consolidation or subdivision of shares.

Resolution 12 The ordinary resolution proposed, if passed, will empower the Directors of the Company to issue shares in the capital of the Company pursuant to the Scheme provided that the aggregate number of the shares to be issued pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company for the time being.

Notice of books closure date and payment date for final dividend

The Company gives notice that, subject to the approval of the shareholders to the final dividend at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 17 May 2007 to 18 May 2007, both dates inclusive, for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 19 May 2007. Duly completed registered transfers of ordinary shares in the capital of the Company received by the Company's Share Registrar, Lim Associates (Pte) Ltd, at 3 Church Street #08-01, Samsung Hub, Singapore 049483 before 5.00 pm on 16 May 2007, will be registered in the Register of Members and the Transfer Books of the Company to determine shareholders' entitlements to the final dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the final dividend will be paid by the Company to CDP which will, in turn, distribute the entitlements to the final dividend to CDP account-holders in accordance with its normal practice.

The final dividend, if approved by shareholders, will be paid on 30 May 2007.

This page has been intentionally left blank

PROXY FORM

China Aviation Oil (Singapore) Corporation Ltd
Company Registration Number: 199303293Z

IMPORTANT

1. For investors who have used their CPF monies to buy CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD. shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees, and is sent 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.

I/ We ____ (Name)

of ____ (Address)

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

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Thirteen Annual General Meeting of the Company, to be held at Suntec Singapore International Convention and Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, Meeting Room 208-209, Level 2, on 30 April 2007 at 3:00 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Resolutions Relating to:	For	Against
1	Directors' Report and Accounts for the year ended 31 December 2006		
2	Final dividend of (a) S$0.0048 (net: S$0.0039) per ordinary share and (b) S$0.0161 (tax-exempt) per ordinary share for the year ended 31 December 2006		
3	Directors' fees		
4	Election of Sun Li as Director		
5	Re-election of Lim Jit Poh as Director		
6	Re-election of Liu Fuchun as Director		
7	Re-election of Lee Suet Fern as Director		
8	Re-election of Paul Reed as Director		
9	Re-election of Michael Bennetts as Director		
10	Re-appointment of Messrs KPMG as Auditors		
11	Share Issue Mandate		
12	Authority to offer and grant options, allot and issue shares pursuant to the Share Option Scheme (2001)		
13	Renewal of the Shareholders' Mandate for Interested Person Transactions		

Date this ________ day of ____________ 2007

Total number of shares held

____
Signature(s) of Members/ Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes for Proxy Form

1. A member 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. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his 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 Company's registered office at 8 Temasek Boulevard #31-02 Suntec Tower Three Singapore 038988 not less than 48 hours before the time set for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or by an 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 common seal or under the hand of its attorney or duly authorised officer.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or 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, in accordance with Section 179 of the Companies Act, Cap.50 of Singapore, authorised by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his 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.

This page has been intentionally left blank

This page has been intentionally left blank

www.caosco.com

China Aviation Oil (Singapore) Corporation Ltd
Subsidiary of China National Aviation Fuel Holding Company

8 Temasek Boulevard
#31-02 Suntec Tower Three,
Singapore 038988
Tel: (65) 6334 8979
Fax: (65) 6333 5283
Tlx: CAO RS20338
Email: admin@caosco.com