China Aviation Oil (Singapore) Corporation Ltd

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MEDIA RELEASE

CAO achieved net profit of S$369m in 2006 with improvement in core business

Proposes dividend of 2 cents per share

SINGAPORE, 27 February 2007 – China Aviation Oil (Singapore) Corporation Ltd ("CAO") announced today that the Group's net profit after tax for the full year ended 31 December 2006 increased to about S$369 million. Excluding the amount of about S$312 million of debt waived under the restructuring exercise, the Group's profit after tax registered a strong growth of about 95% to S$57.3 million compared to 2005.

In view of the good performance, the Board of Directors is pleased to propose a first and final dividend of S$0.02 per share.

The Chairman of CAO, Mr Lim Jit Poh, said, "We would like to thank all our shareholders for their continued confidence and support. The proposed dividend is evident that CAO is back on track and has achieved good growth in 2006."

The Group's revenue for 2006 was almost S$3 billion, as compared to about S$21 million for 2005. This large difference arose because CAO resumed jet fuel procurement on a principal basis in June 2006 and recorded the value of the underlying contracts as revenue. Prior to this, only commission income received was recorded as revenue under the agency model of procurement.

In 2006, 4.66 million Metric Tonnes ("MT") of jet fuel was procured as against 3.04 million MT in 2005. This represents an increase of 53%. Gross profit from jet fuel procurement also increased 31% to S$22.4 million.

The Group received S$15.2 million in dividend from its 5% investment in Compania Logistica de Hidrocarburos, S.A. ("CLH"). This was higher than S$11 million received in 2005. CAO's associate company, Shanghai Pudong International Aviation Fuel Supply Company Ltd ("Pudong"), contributed S$35.5 million to our profit, compared to S$38.8 million for 2005.

The reduction in total expenses incurred of about $7 million or 21% compared with 2005 helped contribute to the Group's better overall performance in 2006. This was primarily due to lower professional fees incurred following the completion of the restructuring exercise. However, there was an increase of about $4 million in finance costs as interest payments of about $8.4 million were made for the deferred debt under the restructuring exercise.

Looking forward, jet fuel demand in China is expected to grow with increased air travel. However, import level is linked to domestic production. Overall, the Group expects the import volume to remain stable.

Over the course of the year, the Board had continually focused on strengthening CAO's corporate governance, rebuilding its core business and setting future directions.

The Board implemented most of the proposals recommended by the Corporate Governance Assessment Committee to improve the Group's corporate governance. These include the establishment of additional Board Committees, strengthening internal audit functions, setting up a whistle blowing system and improving risk management and internal control capabilities.

On the business front, the Group successfully changed its jet fuel procurement business from agency to principal model in June 2006. This marked a milestone for CAO in rebuilding its core business and laid the foundation for the resumption of trading.

Further, the Board took the decision to rationalize the Company's investments. The Company entered into a conditional sale and purchase agreement on 24 January 2007 to sell its 5% stake in CLH for €171million (S$342 million). It is the intention of the Board to use the cash proceeds from this sale to retire all the debts under the Creditors' Scheme earlier than scheduled.

If this is successful, the Group will save a total interest expense of US$13.1 million over the next four years. The Board believes that full prepayment of the debt will not only relieve CAO of its debt burden, thereby enhancing the Group's ability and flexibility to generate future earnings, but will also improve its standing with existing lenders.

The Group also sold a portion of its stake in Xinyuan Petrochemicals Co. Ltd, a non-core investment, to another shareholder of Xinyuan, reducing its equity stake from 80% to 39%. This was announced on 29 January 2007. The Board believes that the purchaser is better placed to exploit the potential of Xinyuan's loss-making oil tank farm and in turn help increase CAO's return on its investment.

However, the Group retains its 33% interest in Pudong, as its business model is in line with CAO's core business and it has generated good performance.

"Whilst CAO focused on building strong foundations in 2006, the Company will implement its development strategy for growth in 2007. The Company hopes to complete the joint-asset injection plan under the Memorandum of Understanding signed with China National Aviation Fuel Holding Company and with BP, and to resume trading activities that are consistent with good risk management practices," said Mr Lim.

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