



**CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD**  
**Registration No. 199303293Z**  
**First Quarter Financial Statement For The Period Ended 31 March 2007**

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

These figures have not been audited:

|  | <b>Group</b>    |                 |                 |
|--|-----------------|-----------------|-----------------|
|  | <b>1Q 2007</b>  | <b>1Q 2006</b>  | <b>Variance</b> |
|  | <b>US\$'000</b> | <b>US\$'000</b> | <b>+ / - %</b>  |
| Revenue (Note 1)                           | 548,326         | 3,336           | NM              |
| Cost of sales                              | (545,639)       | (120)           | NM              |
| <b>Gross Profit (Note 2)</b>               | <b>2,687</b>    | <b>3,216</b>    | <b>-16%</b>     |
| Other operating income                     |                 |                 |                 |
| - Waiver of debts by creditors (Note3)     | -               | 192,455         | NM              |
| - Bank interest income (Note 4)            | 1,688           | 125             | NM              |
| - Others (Note 5)                          | (44)            | 5,801           | NM              |
| Distribution expenses                      | (2)             | (34)            | -94%            |
| Administrative expenses (Note 6)           | (2,008)         | (1,157)         | 74%             |
| Other operating expenses                   | 56              | (1,138)         | -105%           |
| Finance costs (Note 7)                     | (2,432)         | (8)             | NM              |
| Share of results of associate (net of tax) | 5,673           | 5,843           | -3%             |
| <b>Profit before taxation</b>              | <b>5,618</b>    | <b>205,103</b>  | <b>NM</b>       |
| Income tax expense                         | -               | (558)           | -100%           |
| <b>Profit after taxation</b>               | <b>5,618</b>    | <b>204,545</b>  | <b>NM</b>       |
| <b>Attributable to:</b>                    |                 |                 |                 |
| Equity holders of the Company              | 5,652           | 204,561         | NM              |
| Minority interests                         | (34)            | (16)            | 113%            |
| <b>Profit for the year</b>                 | <b>5,618</b>    | <b>204,545</b>  | <b>NM</b>       |

Profit before taxation is derived at after crediting / (charging):

|  | <b>Group</b>    |                 |
|--|-----------------|-----------------|
|  | <b>1Q 2007</b>  | <b>1Q 2006</b>  |
|  | <b>US\$'000</b> | <b>US\$'000</b> |
| Depreciation of property, plant and equipment            | (125)           | (150)           |
| Foreign exchange (loss)/gain                             | (91)            | 774             |
| Fair value adjustment on amounts due to scheme creditors | -               | 5,011           |
| Interest expense   | (2,211)         | -               |

Note 1: Revenue in 1Q 2007 was derived mainly from the invoicing of jet fuel sales. The Group changed its jet fuel procurement model from agent to principal in May 2006. Consequently, the underlying value of the contracts were recorded as revenue with effect from end June 2006, as opposed to recording only commission income as revenue from January 2005 to June 2006 under the agency model.

Note 2: Gross profit in 1Q 2007 mainly derived from jet fuel procurement was lower than 1Q 2006, primarily due to adjustment of fixed margin per barrel for supplies to a major customer to be in line with other key customers.

Note 3: This relates to the waiver of debts pursuant to the Scheme of Arrangement with the Company's creditors under Section 210 of the Companies Act (Cap. 50), which was approved by the creditors on 8 June 2005 and sanctioned by the High Court on 13 June 2005. The Scheme of Arrangement became effective on 28 March 2006.

Note 4: Bank interest income relates to fixed deposit interest derived from short-term placements of the cash balances as time deposits with financial institutions.

Note 5: Others mainly include foreign exchange loss for 1Q 2007. In 1Q 2006, this mainly comprised fair value adjustment on amounts due to scheme creditors and foreign exchange gain.

Note 6: Administration expenses increased mainly due to the increase in the number of staff as business accelerated.

Note 7: Finance costs mainly due to interest payment on deferred debt commenced on 28 March 2006.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at end of the immediately preceding financial year.

|   | <b>Group</b>                            |   | <b>Company</b>                          |   |
|---|---|---|---|---|
|   | <b>As at<br/>31 Mar 07<br/>US\$'000</b> | <b>As at<br/>31 Dec 06<br/>US\$'000</b> | <b>As at<br/>31 Mar 07<br/>US\$'000</b> | <b>As at<br/>31 Dec 06<br/>US\$'000</b> |
| <b>Non-current assets</b>                                       |   |   |   |   |
| Property, plant and equipment                                   | 9,596                                   | 9,661                                   | 6,826                                   | 6,905                                   |
| Subsidiaries  | -                                       | -                                       | 4,939                                   | 4,939                                   |
| Associate   | 76,264                                  | 72,154                                  | 34,941                                  | 34,941                                  |
| Other investments   | 58                                      | 58                                      | 58                                      | 58                                      |
|   | <u>85,918</u>                           | <u>81,873</u>                           | <u>46,764</u>                           | <u>46,843</u>                           |
| <b>Current assets</b>   |   |   |   |   |
| Inventories   | 387                                     | -                                       | -                                       | -                                       |
| Trade and other receivables (Note 1)                            | 155,338                                 | 237,641                                 | 153,063                                 | 237,521                                 |
| Cash and cash equivalents (Note 2)                              | 70,339                                  | 89,495                                  | 54,944                                  | 72,316                                  |
|   | <u>226,064</u>                          | <u>327,136</u>                          | <u>208,007</u>                          | <u>309,837</u>                          |
| <b>Non-current asset held for sale</b>                          |   |   |   |   |
| Investment in Compania Logistica de Hidrocarburos, S.A.(Note 3) | 64,498                                  | 64,498                                  | 64,498                                  | 64,498                                  |
|   | <u>290,562</u>                          | <u>391,634</u>                          | <u>272,505</u>                          | <u>374,335</u>                          |
| <b>Total assets</b>   | <u>376,480</u>                          | <u>473,507</u>                          | <u>319,269</u>                          | <u>421,178</u>                          |
| <b>Equity attributable to<br/>equity holders of the Company</b> |   |   |   |   |
| Share capital   | 215,573                                 | 215,573                                 | 215,573                                 | 215,573                                 |
| Currency translation reserve                                    | 7,156                                   | 8,706                                   | -                                       | -                                       |
| Accumulated losses  | (107,432)                               | (113,084)                               | (153,750)                               | (153,677)                               |
|   | <u>115,297</u>                          | <u>111,195</u>                          | <u>61,823</u>                           | <u>61,896</u>                           |
| <b>Minority interests</b>                                       | 1,042                                   | 1,073                                   | -                                       | -                                       |
| <b>Total equity</b>   | <u>116,339</u>                          | <u>112,268</u>                          | <u>61,823</u>                           | <u>61,896</u>                           |
| <b>Non-current liabilities</b>                                  |   |   |   |   |
| Scheme creditors (Note 4)                                       | 60,740                                  | 67,831                                  | 60,740                                  | 67,831                                  |
| <b>Current liabilities</b>                                      |   |   |   |   |
| Trade and other payables (Note 1)                               | 182,599                                 | 224,191                                 | 181,748                                 | 224,078                                 |
| Scheme creditors (Note 4)                                       | 12,570                                  | 65,013                                  | 12,570                                  | 65,013                                  |
| Current tax payable   | 4,232                                   | 4,204                                   | 2,388                                   | 2,360                                   |
|   | <u>199,401</u>                          | <u>293,408</u>                          | <u>196,706</u>                          | <u>291,451</u>                          |
| <b>Total liabilities</b>  | <u>260,141</u>                          | <u>361,239</u>                          | <u>257,446</u>                          | <u>359,282</u>                          |
| <b>Total equity and liabilities</b>                             | <u>376,480</u>                          | <u>473,507</u>                          | <u>319,269</u>                          | <u>421,178</u>                          |

Note 1 - As accounts receivables and payables are received and paid within the same month, lower sales in March 2007 compared to December 2006 contributed to the lower Trade receivable and Trade payable balances.

Note 2 - Cash and cash equivalents as at 31 March 2007 include an amount of approximately US\$4.2 million placed in an Escrow Account. This Account was set up to receive proceeds from the issuance of new shares by the Company, which will be used to make payments to creditors pursuant to the Scheme of Arrangement with creditors.

Note 3 - The investment in Compania Logistica de Hidrocarburos, S.A. ("CLH") has been classified as non-current asset held for sale. On 24 January 2007, the Company entered into a conditional Share Purchase Agreement ("SPA") with Caixa De

Afforros De Vigo Ourense E Pontevedra (“Caixanova”) for the sale of its 5% interest in CLH for an aggregate consideration of Euros 171 million.

Note 4 - The Company paid the first principal repayment of US\$60 million to the scheme creditors pursuant to the Scheme of Arrangement in March 2007.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

| As at<br>31 Mar 2007 |                       | As at<br>31 Dec 2006 |                       |
|----------------------|-----------------------|----------------------|-----------------------|
| Secured<br>US\$'000  | Unsecured<br>US\$'000 | Secured<br>US\$'000  | Unsecured<br>US\$'000 |
| 0                    | 12,570                | 0                    | 65,013                |

Amount repayable after one year

| As at<br>31 Mar 2007 |                       | As at<br>31 Dec 2006 |                       |
|----------------------|-----------------------|----------------------|-----------------------|
| Secured<br>US\$'000  | Unsecured<br>US\$'000 | Secured<br>US\$'000  | Unsecured<br>US\$'000 |
| 0                    | 60,740                | 0                    | 67,831                |

Details of any collateral:

Pursuant to the Scheme of Arrangement, the outstanding debts of approximately US\$132.84 million owing to Scheme Creditors, excluding CAO's immediate and ultimate holding company China National Aviation Fuel Holding Company (“CNAF”) formerly known as China Aviation Oil Holding Company, were restructured and will be repayable in US\$ to Scheme Creditors over a 5 year period starting from 28 March 2006, with interest at LIBOR. The Company paid the first principal repayment of US\$60 million on 28 March 2007. The outstanding debts and interest are guaranteed by CNAF.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

|  | <b>Group</b>                  |                               |
|--|-------------------------------|-------------------------------|
|  | <b>Jan-Mar 07</b><br>US\$'000 | <b>Jan-Mar 06</b><br>US\$'000 |
| <b>Operating Activities</b>  |                               |                               |
| Profit before taxation   | 5,618                         | 205,103                       |
| Adjustments for items not involving outlay of funds:-                                  |                               |                               |
| Depreciation of property, plant and equipment  | 125                           | 150                           |
| Share of profits of associate  | (5,673)                       | (5,843)                       |
| Extinguishment of liabilities under Restructuring Plan                                 | -                             | (192,455)                     |
| Fair value adjustment on amounts due to scheme creditors                               | -                             | (5,011)                       |
| Interest income  | (1,688)                       | (125)                         |
| Finance costs  | 2,432                         | -                             |
|  | <u>814</u>                    | <u>1,819</u>                  |
| Changes in working capital   |                               |                               |
| Inventories  | (387)                         | (783)                         |
| Trade and other receivables  | 82,335                        | (3,100)                       |
| Trade and other payables   | (41,860)                      | 6,557                         |
| <b>Cash flows generated from operating activities</b>                                  | <u>40,902</u>                 | <u>4,493</u>                  |
| <b>Investing Activities</b>  |                               |                               |
| Interest received  | 1,656                         | 125                           |
| Purchases of property, plant and equipment   | (53)                          | -                             |
| Dividend received  | -                             | 37,022                        |
| <b>Cash flows generated from investing activities</b>                                  | <u>1,603</u>                  | <u>37,147</u>                 |
| <b>Financing Activities</b>  |                               |                               |
| Interest paid  | (1,765)                       | -                             |
| Repayment to scheme creditors  | (59,985)                      | (116,470)                     |
| Proceeds from issue of shares  | -                             | 130,000                       |
| Proceeds from issue of shares placed in Escrow Account for payment to scheme creditors | -                             | (11,182)                      |
| <b>Cash flows (used in)/generated from financing activities</b>                        | <u>(61,750)</u>               | <u>2,348</u>                  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                            | (19,245)                      | 43,988                        |
| Cash and cash equivalents at beginning of the period                                   | 85,376                        | 28,618                        |
| Net effect of exchange rate changes on balances held in foreign currencies             | 37                            | 111                           |
| <b>Cash and cash equivalents at end of the period (Note 1)</b>                         | <u>66,168</u>                 | <u>72,717</u>                 |

**Note 1 :**

|   | <b>As at</b><br><b>31 Mar 2007</b><br>US\$'000 | <b>As at</b><br><b>31 Mar 2006</b><br>US\$'000 |
|---|--|--|
| Cash and cash equivalents in the balance sheet              | 70,339   | 83,899   |
| Less: balance in Escrow account                             | (4,171)  | (11,182)                                       |
| <b>Cash and cash equivalents in the cash flow statement</b> | <u>66,168</u>                                  | <u>72,717</u>                                  |

1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Consolidated Statement of Changes in Equity**  
**Period ended 31 March 2007**

|   | Share capital<br>US\$'000 | Share premium<br>US\$'000 | Currency translation reserve<br>US\$'000 | Accumulated losses<br>US\$'000 | Total attributable to equity holders of the Company<br>US\$'000 | Minority interests<br>US\$'000 | Total equity<br>US\$'000 |
|---|---------------------------|---------------------------|--|--------------------------------|---|--------------------------------|--------------------------|
| <b>Group</b>  |                           |                           |  |                                |   |                                |                          |
| <b>At 1 January 2006</b>  | 26,915                    | 27,152                    | 2,830                                    | (452,473)                      | (395,576)   | 1,107                          | (394,469)                |
| Translation differences relating to financial statements of foreign subsidiary and associate              | -                         | -                         | 1,930                                    | -                              | 1,930   | 2                              | 1,932                    |
| Waiver of debts by immediate and ultimate holding company pursuant to the restructuring exercise          | -                         | -                         | -  | 111,156                        | 111,156   | -                              | 111,156                  |
| Net gain recognised directly in equity  | -                         | -                         | 1,930                                    | 111,156                        | 113,086   | 2                              | 113,088                  |
| Profit/(loss) for the period  | -                         | -                         | -  | 204,561                        | 204,561   | (16)                           | 204,545                  |
| Total recognised income and expense for the period  | -                         | -                         | 1,930                                    | 315,717                        | 317,647   | (14)                           | 317,633                  |
| Issue of ordinary shares  | 130,000                   | -                         | -  | -                              | 130,000   | -                              | 130,000                  |
| Issue of ordinary shares to immediate and ultimate holding company pursuant to the restructuring exercise | 9,506                     | -                         | -  | -                              | 9,506   | -                              | 9,506                    |
| Issue of ordinary shares to scheme creditors  | 22,000                    | -                         | -  | -                              | 22,000  | -                              | 22,000                   |
| Transfer from share premium to share capital (*)  | 27,152                    | (27,152)                  | -  | -                              | -   | -                              | -                        |
| <b>At 31 March 2006</b>   | 215,573                   | -                         | 4,760                                    | (136,756)                      | 83,577  | 1,093                          | 84,670                   |
| <b>At 1 January 2007</b>  | 215,573                   | -                         | 8,706                                    | (113,084)                      | 111,195   | 1,073                          | 112,268                  |
| Translation differences relating to financial statements of foreign subsidiary and associate              | -                         | -                         | (1,550)                                  | -                              | (1,550)   | 3                              | (1,547)                  |
| Net gain/(loss) recognised directly in equity   | -                         | -                         | (1,550)                                  | -                              | (1,550)   | 3                              | (1,547)                  |
| Profit/(loss) for the period  | -                         | -                         | -  | 5,652                          | 5,652   | (34)                           | 5,618                    |
| Total recognised income and expense for the period  | -                         | -                         | (1,550)                                  | 5,652                          | 4,102   | (31)                           | 4,071                    |
| <b>At 31 March 2007</b>   | 215,573                   | -                         | 7,156                                    | (107,432)                      | 115,297   | 1,042                          | 116,339                  |

**Statement of Changes in Equity**

|   | <b>Share<br/>capital<br/>US\$'000</b> | <b>Share<br/>premium<br/>US\$'000</b> | <b>Accumulated<br/>losses<br/>US\$'000</b> | <b>Total<br/>attributable<br/>to equity<br/>holders of<br/>the Company<br/>US\$'000</b> |
|---|---------------------------------------|---------------------------------------|--|---|
| <b>Company</b>  |                                       |                                       |  |   |
| <b>At 1 January 2006</b>  | 26,915                                | 27,152                                | (486,965)                                  | (432,898)   |
| Waiver of debts by immediate and ultimate holding company pursuant to the restructuring exercise          | -                                     | -                                     | 111,156                                    | 111,156   |
| Net gains recognised directly in equity   | -                                     | -                                     | 111,156                                    | 111,156   |
| Profit for the period   | -                                     | -                                     | 199,930                                    | 199,930   |
| Total recognised income for the period  | -                                     | -                                     | 311,086                                    | 311,086   |
| Issue of ordinary shares  | 130,000                               | -                                     | -  | 130,000   |
| Issue of ordinary shares to immediate and ultimate holding company pursuant to the restructuring exercise | 9,506                                 | -                                     | -  | 9,506   |
| Issue of ordinary shares to scheme creditors  | 22,000                                | -                                     | -  | 22,000  |
| Transfer from share premium to share capital (*)  | 27,152                                | (27,152)                              | -  | -   |
| <b>At 31 March 2006</b>   | <b>215,573</b>                        | <b>-</b>                              | <b>(175,879)</b>                           | <b>39,694</b>   |
| <b>At 1 January 2007</b>  | 215,573                               | -                                     | (153,677)                                  | 61,896  |
| Loss for the period   | -                                     | -                                     | (73)                                       | (73)  |
| Total recognised expense for the period   | -                                     | -                                     | (73)                                       | (73)  |
| <b>At 31 March 2007</b>   | <b>215,573</b>                        | <b>-</b>                              | <b>(153,750)</b>                           | <b>61,823</b>   |

(\*) Under the Companies (Amendment) Act 2005, effective 30 January 2006, the concepts of par value and authorized share capital were abolished. Hence the amount in the share premium account as at 30 January 2006 is now part of the Company's share capital.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

- a. Pursuant to the Shareholders' Circular dated 8 February 2006 that was approved at the EGM on 3 March 2006, the number of issued ordinary shares of the Company was reduced from 967,679,992 shares to 193,535,998 shares (i.e. consolidation of every 5 ordinary shares into 1 ordinary share) on 23 March 2006. In addition, 529,284,539 new ordinary shares were issued by the Company on 28 March 2006 pursuant to the Investment Agreement, Subscription Agreement and the Creditors' Share Invitation. The Company's share capital structures pre and post-restructuring, are as follows:

#### PRE AND POST-RESTRUCTURING SHARE CAPITAL STRUCTURE

|                              | Pre-Restructuring  |                | Post-Restructuring |                |
|------------------------------|--------------------|----------------|--------------------|----------------|
|                              | No. of Shares      | % Shareholding | No. of Shares      | % Shareholding |
| <b>CNAF</b>                  | 580,608,000        | 60.00          | 367,777,427        | 50.88          |
| <b>BP</b>                    | -                  | -              | 144,564,119        | 20.00          |
| <b>Aranda</b>                | -                  | -              | 33,611,158         | 4.65           |
| <b>Creditors</b>             | -                  | -              | 72,282,000         | 10.00          |
| <b>Minority Shareholders</b> | 387,071,992        | 40.00          | 104,585,833        | 14.47          |
| <b>Total</b>                 | <b>967,679,992</b> | <b>100.00</b>  | <b>722,820,537</b> | <b>100.00</b>  |

CNAF - China National Aviation Fuel Holding Company, formerly known as China Aviation Oil Holding Company "CAOHC"

BP – BP Investments Asia Limited, a wholly-owned subsidiary of BP Global Investments Limited

Aranda – Aranda Investments Pte Ltd, an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited

Creditors – Creditors of the Company under the Creditors' Scheme

No shares were issued since 31 December 2006.

- 2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those adopted for the audited consolidated financial statements for the year ended 31 December 2006.



5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those adopted for the audited consolidated financial statements for the year ended 31 December 2006.

- 6 Earning per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

|   | <b>As at 31 Mar 07</b> | <b>As at 31 Mar 06</b> |
|---|------------------------|------------------------|
| Earnings per ordinary share for the period after deducting any provision for preference dividends:  |                        |                        |
| (a) Based on weighted average number of ordinary share on issue; and  | 0.78 cents             | 94.24 cents            |
| (b) On a fully diluted basis  | 0.78 cents             | 94.24 cents            |
| Weighted average number of shares ('000)  | 722,821                | 217,060                |
| Basic earnings per share and earnings per share on a fully diluted basis for the financial year ended 31 March 2007 were computed based on net profit attributable to shareholders of US\$5,652,000 (2006: US\$204,561,000) and weighted average share capital of 722,820,537 (2006: 217,059,755) ordinary shares |                        |                        |

There were no dilutive potential ordinary shares for the current and previous periods.

- 7 Net asset value ( for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:
- (a) current financial period reported on; and
- (b) immediately preceding financial year.

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>Mar 07</b> | <b>Dec 06</b> | <b>Mar 07</b>  | <b>Dec 06</b> |
| Net asset value per ordinary share based on issued share capital at the end of the period reported on (cents) | 15.95         | 15.38         | 8.55           | 8.56          |
| Number of ordinary shares issued ('000)   | 722,821       | 722,821       | 722,821        | 722,821       |

Net asset value per ordinary share is determined based on net asset value attributable to equity holders of the Company and the number of shares in issue of the Company as at 31 March 2007 and 31 December 2006.

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## Performance review

The principal activities of the Group remain the procurement of jet fuel and investment holding. Revenue streams comprise (i) jet fuel procurement and (ii) strategic investments in oil related businesses. For the first time the Group is reporting its results in US\$.

The Group's revenue for 1Q 2007 was US\$548 million, as compared to US\$3.3 million for 1Q 2006. In 1Q 2006, the Group procured jet fuel through its wholly-owned subsidiary, CAOT Pte Ltd ("CAOT") on an agency basis and only commission income received was recorded as revenue. This activity was discontinued in June 2006 when the Company resumed procurement on a principal basis, where the value of the underlying contracts was recorded as revenue. 914,200 Metric Tonnes ("MT") of jet fuel was procured in 1Q 2007, which is 99.2% of the quantity procured in 1Q 2006.

Other operating income in 1Q 2006 included an amount of US\$192.5 million arising from the waiver of debts by scheme creditors following the completion of the restructuring exercise on 28 March 2006. In addition, a gain of US\$5.0 million was recorded in 1Q 2006 due to fair value adjustment in respect of the amount due to scheme creditors in accordance with Financial Reporting Standard 39 ("FRS 39").

Interest income derived from short-term placements of cash balances as time deposits with financial institutions amounted to approximately US\$1.7 million for 1Q 2007. This represents a substantial increase compared to US\$0.1 million in 1Q 2006.

Administration expenses increased due to the increase in the number of staff from 32 in 1Q 2006 to 41 in 1Q 2007.

Other operating expenses reduced significantly compared to 1Q 2006, due primarily to lower professional fees incurred following the completion of the restructuring exercise.

Finance costs were mainly due to the fourth interest payment of US\$1.8 million on the deferred debt to scheme creditors on 28 March 2007 and FRS 39 fair value adjustment US\$0.4 million expensed in 1Q 2007.

The Group's share of the results of its associate, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong") was US\$5.7 million for 1Q 2007 compared to US\$5.8 million for 1Q 2006, a slight decrease of 2.9%.

If the waiver of debts and the gain on FRS 39 were excluded, the Group's earnings before interest and tax (EBIT) for 1Q 2007 was US\$8.1 million, which was 5.3% higher than US\$7.6 million in 1Q 2006. The Group's profit before tax was US\$5.6 million for 1Q 2007 compared to US\$7.6 million in 1Q 2006. The Group's profit after tax was US\$5.6 million and US\$7.1 million for 1Q 2007 and 1Q 2006, respectively.

## Financial position and Cash Flow review

In March 06, the Company raised an aggregate amount of US\$130 million pursuant to the Investment Agreement and Subscription Agreement with CNAF (US\$75.77 million), BP Investments Asia Limited (US\$44 million) and Aranda Investments Pte Ltd (US\$10.23 million). Under the Scheme of Arrangement with its creditors, CAO paid its creditors a total of US\$110 million in cash as of 31 March 2006. The amount of debts (after waiver) which is being restructured into debts that are repayable over a 5 year period amounted to approximately US\$132.84 million as at 31 December 2006.

On 28 March 2007, the Company had paid US\$60 million and US\$1.8 million to the scheme creditors for the first principal repayment and 4th quarterly interest instalment, respectively.

As at 31 March 2007, cash and cash equivalents of the Group was US\$66.2 million, excluding US\$4.2 million in an Escrow account held by the financial adviser pursuant to the Scheme of Arrangement (“Escrow account”). This was mainly attributable to an increase in cash generated from operating activities resulting from a reduction in trade receivables of US\$40.8 million. The major cash outflow was the repayment of US\$60 million being the first principal repayment under the commitment pursuant to the Scheme of Arrangement.

As at 31 March 2006, cash and cash equivalents of the Group was US\$72.7 million, excluding US\$11.2 million held in the Escrow account. This was attributable to the receipt of US\$37 million of dividends from Pudong that were outstanding as at 31 December 2005 and a cash inflow of US\$130 million representing proceeds from the issuance of new shares. The increase in cash and cash equivalents was partially offset by the distribution to creditors of US\$116.5 million under the Scheme of Arrangement.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not Applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

On 29 January 2007, the Company announced its 41% partial divestment of its 80% stake in Xinyuan to Shenzhen Juzhengyuan Petrochemical Co. Ltd (“Juzhengyuan”), an existing shareholder in Xinyuan. Pending regulatory approval, the 41% stake will be effectively transferred to Juzhengyuan. Xinyuan will then cease to be a subsidiary of the Company and shall become an associate.

On 17 April 2007, the Group announced the completion of the sale transaction under the SPA with Caixanova. The Group will cease to receive further dividends from CLH as a result of the sale.

Jet fuel demand in China is expected to grow with increased air travel. However, the import level is linked to domestic production. Overall, we expect the import volume to remain stable.

Barring any unforeseen circumstances, the Group will continue to be profitable in 2007.

11 Dividend

**(a) Current financial period reported on**

Any dividend declared for the current financial period reported on? No

**(b) Corresponding period of the immediately preceding financial year**

Any dividend declared for the corresponding period of the immediately preceding financial year? No

**(c) Date payable**

Not applicable.

**(d) Book closure date**

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect.

No interim dividend has been declared for the period ended 31 March 2007.

13 Interested Person Transactions.

**Pursuant to Rule 920(1)(a)(ii) of the Listing Manual**

Aggregate value of interested person transactions entered from 1 January 2007 to 31 March 2007.

| Name of interested person               | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than US\$100,000 and transactions conducted under shareholders mandate pursuant to Rule 920) | Aggregate value of interested person transactions conducted under shareholders mandate pursuant to Rule 920 (excluding transactions less than US\$100,000) |
|---|--|--|
| Sales revenue from related corporations | US\$'000<br><br>0  | US\$'000<br><br>259,090  |

BY ORDER OF THE BOARD

Doreen Nah  
Company Secretary

15 May 2007