



**China Aviation Oil (Singapore) Corporation Ltd**  
**Registration No. 199303293Z**

**OPENING REMARKS BY LIM JIT POH, CHAIRMAN OF CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD ON MONDAY 30 APRIL 2007 AT 1500 HRS AT THE COMPANY'S ANNUAL GENERAL MEETING**

Ladies and Gentlemen,

Good afternoon, it's nice to meet up with you again after a year. Much has happened during the last 12 months. Our share price has, for one, moved significantly in tandem with the general market sentiment and even gone on to outperform the Straits Times Index. Recently, it hit an intra-day high of S\$1.61. This may not be as high as when our shares first resumed trading in late March 2006 after a 16-month trading suspension when it hit S\$1.85 but it is still a sizeable jump. So much so that the Singapore Exchange sent us a query --- to which we have responded by saying that we have no explanation for the phenomenon. Perhaps investors and stock analysts have their reasons and rationale. They probably have re-rated our stock, and rightly so.

I am sure all of you are happy with the share price rally. Viewed from the financial angle, our current share price reflects a price-earnings (PE) ratio of less than 3 times. This is due to the non-recurrent one-time gain obtained from the waiver of debts under the restructuring scheme. Excluding this one-time benefit, this PE ratio is, in fact, substantially higher at around 19 times, which is not too far from the counters trading on the Singapore Exchange.

As you know, the new Board of Directors was elected by all of you last year. We had a mammoth task of reviving and rejuvenating the Company. Our immediate task then was to look at how and where CAO had failed. The issue of corporate governance was critical. Prior to the appointment of the new Board, the Company had recognized this problem and established the Corporate Governance Assessment Committee. The new Board's first job was to review the recommendations of the Committee. In fact, we accepted all the recommendations and proceeded to implement them. The establishment of the Board's five standing committees was therefore the starting point. Having five standing committees is two more than the three mandated by the Code of Corporate Governance.

We next put into practice what we had accepted. The Board's standing committees were very active during the course of the year. We met more frequently than what is expected of a normal company. This is how it should be.

Having streamlined the system and administration processes, we began to review our business. The first undertaking was to review our main business of jet fuel procurement. We systematically examined the risk profile and system of tendering and I am pleased to say that we have done very well in this area. From the agency model of jet fuel procurement which was adopted during the crisis, we transformed the business to the original principal model. Our outsourced internal auditors have affirmed that the Company has implemented and adhered to the revised policies and processes. I am very happy that the system is working well. Our strategic partner, BP, has given us valuable assistance in this area. BP also cautiously exercised its pre-emptive right under the Business Cooperation Agreement, and did not take advantage of this clause. Through these actions we have won the trust and confidence of the bidders. Such has to be our behaviour. We have earned it.

We also undertook what has been mandated in the Circular to shareholders dated 8 February 2006. As stated in the Circular we were supposed to sell our 5% stake in CLH so as to settle the first principal debt payment scheduled in March 2007 of an amount US\$62.2m. Again we systematically examined what we should do and saw how best we could undertake the exercise so as to achieve the best result. I am very pleased to advise that through a competitive bid tendering exercise, we sold this investment for Euro 171m yielding a handsome profit of approximately US\$125m according to the exchange rate when we received the proceeds. This is highly welcomed by all of us. With this we will be able to settle our full debts earlier than the original plan of five years. In addition, we will not have to initiate an exercise of raising funds to settle the tail-end of the debts as originally stipulated.

We also reviewed some of our existing investments. We have divested 41% of our controlling equity stake of 80% in Xinyuan to our existing partner. We believe that our existing partner can better drive this investment as it is based in the Guangdong Province. We liquidated our travel company, which was not our main stream of business. On the other hand, we believe that our investment in Shanghai Pudong International Airport Aviation Fuel Supply Company is very viable. It continues to give us good cash flow and profitability. In fact, excluding the debts waived by the creditors, the contribution by this associate company amounted to 62% of our total profit in 2006. Can we have more of such projects? For this, we are looking to the two key shareholders who have, under the Memorandum of Understanding, promised to inject viable projects they currently own into our Company. We are looking forward to such initiatives.

In the course of the year we also undertook a thorough review of our future strategy and direction. We decided that our core business undertakings should be developed under three major areas. These are (i) jet fuel procurement, (ii) trading of oil products and (iii) synergetic investments to complement the first two businesses.

The first business of jet fuel procurement is well entrenched. We are embarking on the second business of oil products trading. We would like our Company to become an international oil trading group in line with the status of Singapore as an oil trading centre. This is an ambitious aim. We are in the process of undertaking a thorough study of the risk profile and administration system to ensure that we are appropriately trained and disciplined to do the job. Until the Board is fully satisfied and comfortable, we shall not proceed with this business undertaking. When we do eventually implement this, we will tread cautiously and meaningfully within our means and resources. An appropriate announcement shall be made when we are ready to take on this journey.

The Board is well represented by the substantial shareholder, CNAF, and strategic shareholder, BP, and of course we also have a very good and sympathetic shareholder from a company within the Temasek Group that is not represented on the Board. Needless to say, we also have three independent directors drawn not only from Singapore but from China as well. I am very pleased to say that the new President of CNAF, Mr Sun Li, has very kindly consented to my suggestion to serve on the Board. Mr Sun brings with him a wealth of experience in the oil and gas industry having worked previously in China National Petroleum Corporation Group. He has also been associated with such global groups as IBM and ICI. We shall benefit greatly from his experience. I am also pleased to say that upon his election as a Director he shall also assume the position of Deputy Chairman of the Board taking over from Mr Zhao Shousen who shall step down as Deputy Chairman but continue to be the Vice Chairman of Audit, Remuneration and Nominating Committees. We are therefore very fortunate to have very high ranking officials of CNAF represented on the Board. In BP, we have a global company, represented by its experienced personalities on the Board. The future looks bright. On that note I am pleased to proceed with the agenda proper.