ELEVENTH SCHEDULE OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SHARES AND DEBENTURES) REGULATIONS*

OFFER INFORMATION STATEMENT UNDER SECTION 277 OF THE SECURITIES AND FUTURES ACT (CAP. 289)

A copy of this offer information statement has been lodged with the Monetary Authority of Singapore (the "**Authority**"). The Authority assumes no responsibility for the contents of this offer information statement. Lodgment of the offer information statement with the Authority does not imply that the Securities and Futures Act (Cap. 289), or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the shares or debentures, or units of shares or debentures, as the case may be, being offered, or in respect of which an invitation is made, for investment.

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

(Company Registration Number: 199303293Z)
(Incorporated in the Republic of Singapore on 26 May 1993)

8 Temasek Boulevard
#31-02 Suntec Tower Three
Singapore 038988

Financial Adviser to the Company

Deloitte.
DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD

INVITATION TO TRANCHE B CREDITORS TO SUBSCRIBE FOR UP TO 72,282,059 NEW SHARES IN THE CAPITAL OF CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD AT AN ISSUE PRICE OF S$0.515 (OR APPROXIMATELY US$0.3044, BASED ON THE FIXED US$:S$ EXCHANGE RATE OF 1.6920573) PER SHARE FOR AN AGGREGATE SUBSCRIPTION CONSIDERATION AMOUNTING TO US$22,000,000

LODGED WITH THE AUTHORITY ON 9 DECEMBER 2005

* *Information specified in this Statement is lodged pursuant to the transitional provisions of Regulation 35 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.*

IMPORTANT NOTES

Capitalised terms used below which are not otherwise defined herein shall have the same meanings ascribed to them under the "*Definitions*" section of this Statement.

Persons wishing to subscribe for the Creditors' Invitation Shares should, before deciding whether to so subscribe, carefully read this Statement in its entirety in order to make an informed assessment of the assets and liabilities, profits and losses, financial position, performance and prospects of the Company and the Group, and the rights and liabilities attaching to the Creditors' Invitation Shares. They should make their own independent enquiries and investigations of any bases and assumptions upon which financial projections, if any, are made or based, and carefully consider this Statement in the light of their personal circumstances (including financial and taxation affairs). It is recommended that such persons seek professional advice from their stockbroker, bank manager, solicitor, accountant and other professional adviser before deciding whether to subscribe for any Shares or invest in the Company.

No person has been authorised to give any information or to make any representations, other than those contained in this Statement and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Financial Adviser. Nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Company or the Group. Neither the delivery of this Statement, nor the issue of the Creditors' Invitation Shares shall, under any circumstances, constitute a continuing representation, or give rise to any implication, that there has been no change in the affairs of the Company or the Group, or in any of the information contained herein since the date hereof. Where such changes occur after the date hereof and are material, or are required to be disclosed by law and/or the SGX-ST, the Company may make an announcement of the same to the SGX-ST and, if required, lodge a supplementary or replacement Statement with the Authority. All Tranche B Creditors should take note of any such announcement and, upon the release of such announcement or lodgement of such supplementary or replacement document, as the case may be, shall be deemed to have notice of such changes.

Neither the Company nor the Financial Adviser is making any representation to any person regarding the legality of an investment in the Creditors' Invitation Shares and/or the Shares by such person under any investment or other laws or regulations. No information in this Statement should be considered to be business, legal, tax or any advice. Each prospective investor should consult his own professional or other adviser for business, legal, tax or other advice regarding an investment in the Creditors' Invitation Shares.

Neither the Company nor the Financial Adviser makes any representation, warranty or recommendation whatsoever as to the merits of the Creditors' Share Invitation, the Creditors' Invitation Shares, the Company, the Group or any other matter related thereto or in connection therewith. Nothing in this Statement or the accompanying documents shall be construed as a recommendation to subscribe for the Creditors' Invitation Shares. Prospective subscribers of the Creditors' Invitation Shares should reply on their own investigation of the financial condition and affairs, appraisal and determination of the merits of investing in the Company and the Group and shall be deemed to have done so.

This Statement and its accompanying documents have been prepared solely for the purpose of the Creditors' Share Invitation and may not be relied upon by any person other than Tranche B Creditors to whom it is despatched by the Company or for any other purpose.

This Statement may not be used for the purpose of, and does not constitute, an offer, invitation or solicitation to anyone in any jurisdiction or under any circumstances in which such offer, invitation or solicitation is unlawful or not authorised or to any person to whom it is unlawful to make such an offer, invitation or solicitation.

The distribution of this Statement and/or its accompanying documents may be prohibited or restricted by law in certain jurisdictions under the relevant securities laws of those jurisdictions. Creditors, Shareholders or any other person having possession of this Statement and/or its accompanying documents are advised to inform themselves of and observe such prohibitions and restrictions.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements contained in this Statement, statements made in press releases and oral statements that may be made by the Company or its Directors, officers, employees or agents acting on its behalf, that are not statements of historical fact, constitute "**forward-looking statements**". Some of these statements can be identified by words that have a bias towards the future or, are forward-looking such as "**anticipate**", "**believe**", "**could**", "**estimate**", "**forecast**", "**if**", "**intend**", "**may**", "**plan**", "**possible**", "**probable**", "**project**", "**should**", "**will**" and "**would**" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's or Group's expected financial position, business strategy, plans and future prospects of the Company's or Group's industry are forward-looking statements. These forward-looking statements, including statements as to the Company's or Group's revenue and profitability, prospects, future plans and other matters discussed in this Statement regarding matters that are not historical facts, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's or Group's actual, future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements.

Given the risks and uncertainties that may cause the Company's or Group's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Statement, undue reliance must not be placed on these statements. Neither the Company, its Directors, officers, employees or agents, the Financial Adviser nor any other person represents or warrants that the Group's actual future results, performance or achievements will be as discussed in those statements.

Further, the Company and the Financial Adviser disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future. However, under Section 241 of the SFA, the Company may lodge a supplementary or replacement document with the Authority in the event, *inter alia*, that it becomes aware of a new circumstance that has arisen since the lodgment of this Statement with the Authority, but before the closing date of the Creditors' Share Invitation (as determined by the Directors in consultation with the Financial Adviser), which is materially adverse from the point of view of an investor or required to be disclosed pursuant to law. The Company is also subject to the provisions of the Listing Manual regarding corporate disclosure.

FOREIGN CREDITORS

This Statement and its accompanying documents relating to the Creditors' Share Invitation have not been and will not be registered or filed in any jurisdiction other than in Singapore. The distribution of the Statement and its accompanying documents may be prohibited or restricted (either absolutely or unless relevant securities requirements, whether legal or administrative, are complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Statement and/or its accompanying documents have not been and will not be dispatched to Tranche B Creditors or anyone whose addresses are located outside of Singapore.

Tranche B Creditors with addresses outside Singapore who wish to apply for the Creditors' Invitation Shares should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore. The Company reserves the right to reject any application for Creditors' Invitation Shares where it believes, or has reason to believe, that such application may violate the applicable legislation of any jurisdiction.

Notwithstanding the above, Tranche B Creditors and any other person having possession of the Statement and its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Shares unless such offer, invitation or solicitation can lawfully be made without compliance with any registration or other legal requirements in those territories.

DEFINITIONS

For the purpose of this Statement, the following definitions apply throughout unless the context otherwise requires or it is otherwise stated:

Group Companies

"CAOT"	:	CAOT Pte Ltd, a wholly-owned subsidiary of the Company
"Company"	:	China Aviation Oil (Singapore) Corporation Ltd
"Group"	:	The Company and its subsidiaries
"Group Company"	:	Any company within the Group
"SPIA"	:	Shanghai Pudong International Airport Aviation Fuel Supply Co., Ltd
"Xinyuan"	:	China Aviation Oil Xinyuan Petrochemical Co. Ltd

Other Companies, Organisations and Agencies

"Aranda"	:	Aranda Investments Pte. Ltd., being an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited
"Authority"	:	Monetary Authority of Singapore
"BP"	:	BP Investments Asia Limited
"BPS"	:	BP Singapore Pte Ltd
"CAOHC"	:	China Aviation Oil Holding Company, the holding company of the Company
"CAOSC"	:	China Aviation Oil Supply Corporation
"CDP"	:	The Central Depository (Pte) Limited
"CLH"	:	Compania Logistica de Hidrocarburos CLH, S.A.
"Depository Agent"	:	A corporation authorised by CDP to maintain Sub-Accounts
"Financial Adviser"	:	Deloitte & Touche Corporate Finance Pte Ltd, the financial adviser of the Company in relation to the equity restructuring under the Restructuring Plan
"PWC"	:	PricewaterhouseCoopers
"Satya"	:	Satya Capital Limited
"SGX-ST"	:	The Singapore Exchange Securities Trading Limited

General

"Act"	:	The Companies Act, Chapter 50, of Singapore (as amended or modified from time to time)

"associate"	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"Board" or "Directors"	:	The directors of the Company as at the date of this Statement
"BP Investment Shares"	:	Has the meaning ascribed to it in paragraph 2.6(b) of Section B of this Statement
"Business Co-operation Agreement"	:	The conditional agreement dated 5 December 2005 made between the Company and BP's affiliate, BPS whereby BPS will provide the Company with trading expertise and second staff to enhance the trading and risk management systems of the Company
"CAOHC Conversion Shares"	:	Has the meaning ascribed to it in paragraph 2.6(c) of Section B of this Statement
"CAOHC Investment Shares"	:	Has the meaning ascribed to it in paragraph 2.6(a) of Section B of this Statement
"Completion"	:	Completion of the subscription, and the issue and allotment of Shares, under the Investment Agreement and Subscription Agreement
"Completion Date"	:	The date on which Completion takes place
"Creditors"	:	Creditors of the Company under the Creditors' Scheme
"Creditors' Invitation Shares"	:	Up to 72,282,059 new Shares of the Company (subsequent to the Share Consolidation) to be issued and allotted by the Company to the Tranche B Creditors pursuant to the Creditors' Share Invitation
"Creditors' Pay-Out"	:	Has the meaning ascribed to it in paragraph 2.3(b) of Section B of this Statement
"Creditors' Scheme"	:	Has the meaning ascribed to it in paragraph 2.3 of Section B of this Statement

"Creditors' Share Invitation"	:	The invitation by the Company to the Tranche B Creditors to subscribe for Shares of the Company representing approximately 10% of the Post-Restructuring Plan Share Capital, details of which are set out in Section J of this Statement
"Deferred Debt"	:	Has the meaning ascribed to it in the Creditors' Scheme
"EGM"	:	The forthcoming extraordinary general meeting of the Company to seek Shareholders' approval for the Restructuring Plan (or any adjournment thereof)
"Fixed Exchange Rate"	:	Fixed US$:S$ exchange rate of 1.6920573
"FY"	:	Financial year ended 31 December
"Investment Agreement"	:	The conditional investment agreement dated 5 December 2005 made between the Company, CAOHC and BP in relation to, *inter alia*, the subscription of Shares in the Company by CAOHC and BP
"Issue Price"	:	S$0.515 per Share (or approximately US$0.3044, based on the Fixed Exchange Rate)
"Listing Manual"	:	The SGX-ST Listing Manual
"Post-Restructuring Plan Share Capital"	:	The enlarged share capital of the Company post-Restructuring Plan, assuming the issue and allotment by the Company of the CAOHC Investment Shares, BP Investment Shares, CAOHC Conversion Shares, Subscription Shares and Creditors' Invitation Shares (assuming the Creditors' Invitation Shares are fully subscribed)
"PRC"	:	The People's Republic of China
"Restructuring Plan"	:	Has the meaning ascribed to it in Section B of this Statement
"Securities Account"	:	A securities account maintained by a Depositor with CDP but not including a securities sub-account
"SFA"	:	The Securities and Futures Act, Chapter 289, of Singapore (as amended or modified from time to time)
"Share Consolidation"	:	Has the meaning ascribed to it in paragraph 2.2(b) of Section B of this Statement
"Shares"	:	(As the context may admit) ordinary shares of par value of S$0.05 as at the date hereof, or ordinary shares of par value S$0.25 each in the capital of the Company, subsequent to the Share Consolidation, or in the event that the concept of par value of shares is abolished pursuant to the Companies (Amendment) Act 2005, the ordinary shares in the capital of the Company subsequent to the Share Consolidation
"Shareholders"	:	The registered holders of the Shares except that where the registered holder is CDP, the term "*Shareholders*" shall, in relation to those Shares, mean the Depositors whose Securities Accounts are credited with those Shares

"Shareholders' Agreement"	:	The shareholders' agreement dated 5 December 2005 made between CAOHC and BP to govern their rights and obligations *vis-à-vis* each other as shareholders of the Company
"Shareholders' Scheme"	:	Has the meaning ascribed to it in paragraph 2.2(e) of Section B of this Statement
"Special Task Force"	:	The special task force appointed by the Board to manage the critical affairs of the Company, including to restructure and rehabilitate the Company, and to assist in any investigation thereof
"Sub-Accounts"	:	The securities sub-accounts maintained by each Depository Agent in respect of securities held for its own account and for the account of its clients
"Subscription Agreement"	:	The conditional subscription agreement dated 5 December 2005 made between the Company, CAOHC and Aranda in relation to, *inter alia*, the subscription of Shares in the Company by CAOHC and Aranda;
"Subscription Shares"	:	Has the meaning ascribed to it in paragraph 2.7 of Section B of this Statement
"Tranche B Creditors"	:	Creditors under the Creditors' Scheme who hold Tranche B Debt
"Tranche B Debt"	:	Has the meaning ascribed to it in the Creditors' Scheme

Currencies and Units

"RMB"	:	PRC Renminbi
"S$" or "SGD" and "cents"	:	Singapore dollars and cents respectively
"US$" or "US dollars"	:	United States dollars
"%" or "percent"	:	Per centum or percentage

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference to a time of day in this Statement will be a reference to Singapore time, unless otherwise stated.

Any discrepancies in figures included in this Statement between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Statement may not be an arithmetic aggregation of the figures that precede them.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the SFA or the Listing Manual or any modification thereof and not otherwise defined in this Statement shall, where applicable, have the same meaning ascribed to it under the Act, the SFA or the Listing Manual or such modification thereof, as the case may be.

(A)	**The address of the registered office of the issuer**

The registered office of the Company is located at 8 Temasek Boulevard #31-02 Suntec Tower Three Singapore 038988.

(B)	**The business carried on and to be carried on by the issuer or, if it is the holding company of a group, the group, and the general development of the business within the last 3 years indicating any material change in the affairs of the issuer or the group, as the case may be, since the last annual report**

1. <u>BUSINESS</u>

1.1 The Company was incorporated on 26 May 1993 as a private company limited by shares. In 1997, CAO commenced its business of procuring jet fuel for its then parent company, CAOSC.

1.2 On 6 December 2001, the Company was listed on the Main Board of the SGX-ST. At the time of its listing, the Company's core business was the procurement of jet fuel from overseas markets for distribution to the PRC civil aviation industry through CAOSC and its subsidiaries and associated companies.

1.3 Subsequent to its listing, the Company expanded its core business of jet fuel procurement and developed a business model based on a three pronged strategy. The strategy focused on the jet fuel procurement business, the trading of petroleum products, and strategic investments in related industries including investments in SPIA (33%) and CLH (5%). CAO also engaged in trading in paper swaps to hedge the price risk exposure associated with the Company's jet fuel and fuel oil cargoes and in crude oil futures to hedge its crude oil cargoes.

1.4 On 30 November 2004, the Company announced, *inter alia*, that:

(a) it had suffered significant losses from speculative oil derivatives trading, and that it had, on 29 November 2005, applied for and obtained an order from the High Court of Singapore pursuant to Section 210 of the Act to convene a meeting of its Creditors to consider a proposed scheme of arrangement;

(b) it had suspended the duties of its chief executive officer, Chen Jiulin;

(c) it had appointed a Special Task Force, led by Madam Gu Yanfei, General Manager, Investment Department of CAOHC and Director of the Company, to manage the critical affairs of the Company, including to restructure and rehabilitate the Company, and to assist in any investigation thereof;

(d) it had appointed, under the direction of the SGX-ST, PWC, as special investigative accountant to review and investigate the Company's affairs relating to the incurrence of the loss and its surrounding circumstances for report to the SGX-ST; and

(e) trading of the Company's Shares on the SGX-ST had been suspended, at the request of the Company.

1.5 Since then, the Company, led by the Special Task Force and supported by CAOHC has deployed substantial efforts and resources to restructure its debts and equity with a view to rehabilitating itself as a going concern.

1.6 The Company is presently acting as an investment holding company. The Company incorporated a wholly-owned subsidiary, CAOT, after it commenced its debt and equity restructuring exercise, to carry on the core business of jet fuel procurement. CAOT acts as an agent buyer of aviation fuel in the PRC, and organises, conducts and advises on jet fuel tender exercises amongst major aviation fuel suppliers. CAOT thereby generates commission income while keeping alive the business of jet fuel procurement within the Company.

1.7 On 5 December 2005, the Company announced its Restructuring Plan (as defined below) to rehabilitate itself as a going concern, and in connection therewith, entered into:

(a) a conditional investment agreement with China Aviation Oil Holding Company ("**CAOHC**") and BP Investments Asia Limited ("**BP**") in relation to their proposed investment in the Company ("**Investment Agreement**"); and

(b) a conditional subscription agreement with Aranda Investments Pte. Ltd. ("**Aranda**") (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**")) in relation to its proposed subscription of Shares in the Company ("**Subscription Agreement**").

A copy of the aforesaid announcement of the Company dated 5 December 2005 is annexed to this Statement as Appendix 1. More information may be found in paragraph (III) below.

2. Restructuring Plan in FY2005

I. Restructuring Plan

2.1 The proposed restructuring plan of the Company ("**Restructuring Plan**") is an overall debt and equity restructuring exercise aimed at rehabilitating the Company as a going concern and lifting the suspension of trading of the Company's Shares on the SGX-ST.

2.2 The Restructuring Plan encompasses, *inter alia*, implementation of the following:

(a) Creditors' Scheme (material terms of which are described below).

(b) Share consolidation of the share capital of the Company so that every 5 ordinary shares of S$0.05 each are consolidated into 1 ordinary share of S$0.25 (or in the event that the concept of par value of shares is abolished under Singapore law pursuant to any amendment of the Act, the consolidation of the share capital of the Company so that every 5 ordinary shares are consolidated into 1 ordinary share) ("**Share Consolidation**").

(c) Issue of new Shares of the Company to CAOHC, BP and Aranda pursuant to the Investment Agreement and Subscription Agreement (as the case may be).

(d) Invitation to Tranche B Creditors to subscribe for 72,282,059 Shares, representing approximately 10% of the Post-Restructuring Plan Share Capital of the Company, at a subscription price equal to the Issue Price. The subscription consideration payable by each applicant creditor shall be set off by the Company against the debt payable to Creditors under the Creditors' Scheme. The aggregate subscription consideration to be set-off by the Company, if the Creditors' Share Invitation is fully taken up, is US$22,000,000 (based on the Fixed Exchange Rate).

(e) Scheme of arrangement to be proposed between the Company and its Shareholders as at a specified record date under Section 210 of the Act ("**Shareholders' Scheme**").

II. *<u>Creditors' Scheme</u>*

2.3 Under the scheme of arrangement made with Creditors of the Company under Section 210 of the Act, which was approved by Creditors and sanctioned by the High Court of Singapore on 13 June 2005 ("**Creditors' Scheme**"), it is contemplated, *inter alia*, that:

(a) There would be a cash injection of US$130 million from CAOHC and new strategic investor(s) into the Company, and US$30 million of the investment will be used for the working capital of the Company and the balance US$100 million used as part of the upfront cash distribution to Creditors under the Creditors' Scheme (excluding CAOHC).

(b) Creditors under the Creditors' Scheme (other than CAOHC) will receive cash distribution ("**Creditors' Pay-Out**") of:

(i) US$100 million derived from the aforesaid cash injection; and

(ii) US$30 million derived from the existing assets of the Company.

(c) The balance debt owing to Creditors (excluding CAOHC) after the Creditors' Pay-Out will be restructured, deferred and repaid to them with interest over a 5 year period, which repayment and payment will be guaranteed by CAOHC. The balance amount of debt owing will be waived by Creditors. Certain of BP's affiliates are also Creditors under the Creditors' Scheme.

(d) CAOHC will waive not less than 55% of the outstanding Shareholder's loan and outstanding dividend owing to it and convert the remaining amount into Shares of the Company.

2.4 A copy of the Company's announcements dated 12 May 2005 and 24 May 2005 on the Creditors' Scheme is annexed to this Statement as <u>Appendix 2</u>.

III. *<u>Investment by CAOHC, BP and Aranda</u>*

2.5 The entry into the Investment Agreement and Subscription Agreement is in connection with the Creditors' Scheme.

(A) *<u>Investment Agreement</u>*

2.6 Pursuant to the Investment Agreement, and subject to the terms and conditions therein:

(a) CAOHC will invest US$75,770,000 (based on the Fixed Exchange Rate) in the Company for 248,945,984 new Shares in the Company ("**CAOHC Investment Shares**"), comprising approximately 34.44% of the Post-Restructuring Plan Share Capital, at the Issue Price per Share.

(b) BP will invest US$44,000,000 (based on the Fixed Exchange Rate) in the Company for 144,564,119 new Shares in the Company ("**BP Investment Shares**"), comprising approximately 20.00% of the Post-Restructuring Plan Share Capital, at the Issue Price per Share.

(c) CAOHC will waive approximately US$113,151,572 (or approximately 92.56%) of the outstanding Shareholder's loan of US$111,155,869 and outstanding declared and unpaid dividend of US$11,090,465 owing by the Company to

CAOHC, and convert the balance amount of US$9,094,762 into 29,881,278 new Shares in the Company, comprising approximately 4.13% of the Post-Restructuring Plan Share Capital, at a conversion price equal to the Issue Price per Share ("**CAOHC Conversion Shares**"); and

(d) pursuant to and in discharge of the settlement between the CAOHC and the Authority in relation to the placement of Shares in the Company by CAOHC on 21 October 2004 and as part of the Shareholders' Scheme, CAOHC will direct that 27,171,435 CAOHC Conversion Shares (or approximately 90.9% of the CAOHC Conversion Shares, being the Shares attributable to the Shareholder's loan owing to CAOHC), comprising approximately 3.76% of the Post-Restructuring Plan Share Capital, be issued and allotted on an *ex-gratia* basis and *pro-rata* to the Shareholders of the Company (other than CAOHC and its associates, if any), based on their respective shareholdings in the Company, on a specified record date to be determined.

(B) *Subscription Agreement*

2.7 Under the Subscription Agreement, and subject to the terms and conditions therein, Aranda will invest US$10,230,000 (based on the Fixed Exchange Rate) in the Company for 33,611,158 new Shares in the Company ("**Subscription Shares**"), comprising approximately 4.65% of the Post-Restructuring Plan Share Capital, at the Issue Price.

2.8 A copy of the Post-Restructuring Plan shareholding structure of the Company is annexed to this Statement as Appendix 3.

(C) *Shareholders' Agreement*

2.9 Pursuant to the Investment Agreement , CAOHC and BP have on 5 December 2005 entered into the Shareholders' Agreement to govern their rights and obligations *vis-à-vis* each other as shareholders of the Company. The Shareholders' Agreement will take effect upon the Completion of the Investment Agreement.

2.10 Under the Shareholders' Agreement, *inter alia*, the Board will consist of a maximum of 9 Directors (excluding alternate Directors), comprising 4 Directors nominated by CAOHC, 3 independent Directors, and 2 Directors nominated by BP (who shall serve in non-executive capacity).

2.11 In addition, neither party may sell, transfer, pledge, charge or otherwise dispose of any Shares, or any legal or beneficial interest therein, without the prior written consent of the other party for a period of 5 years commencing from the Completion Date, subject to the occurrence of certain events prior to the expiry of such 5 years' period. Parties shall also procure that the Company does not undertake certain reserved matters unless otherwise agreed between them. Such reserved matters include (a) winding up of any Group Company, (b) any material change in the nature of business of the Company or any Group Company, (c) any material change in the risk management policies of the Company, (d) any increase in the share capital of the Company (other than by way of rights issues) or any material change in the indebtedness of the Group and (e) the undertaking of any Major Transaction (as defined in the Listing Manual) by any Group Company.

(D) *Business Co-operation Agreement*

2.12 Pursuant to the Investment Agreement, the Company and BP's affiliate, BP Singapore Pte Ltd ("**BPS**"), have also on 5 December 2005 entered into the Business Co-operation Agreement, which takes effect on the Completion of the Investment Agreement, whereby BPS will provide the Company with trading expertise and second staff to enhance the trading and risk management systems of the Company.

2.13 The Business Co-operation Agreement aims to strengthen the Company's capability in international procurement of aviation fuel and to ensure the secure supply of such aviation fuel to the Company on competitive terms for its onward sale and supply to buyers in the PRC. In connection therewith, BPS will advise and assist the Company in its tender process for the procurement of aviation fuel in the international market and also have the pre-emptive right to supply the necessary aviation fuel required by the Company on terms more favourable to the Company than those obtained by the Company in the tender process. BPS will further undertake to supply aviation fuel to meet possible shortfall in supply after the close of each tender on terms to be mutually agreed.

2.14 Under the Business Co-operation Agreement, BPS will also make available various training and risk management services where required by the Company.

(E) *Memorandum of Understanding*

2.15 Concurrently with the execution of the Investment Agreement, the Company has entered into a non-binding Memorandum of Understanding with CAOHC and BP in relation to the possible injection of their respective operating assets to be identified and mutually agreed, which may be synergistic and complementary to the Company's business, into the Company with a view to increasing its assets base, earning capacity and prospects, and thereby improving Shareholders' value.

2.16 Under the Memorandum of Understanding, the parties shall in good faith negotiate and sign a term sheet setting out the key terms (including pricing and form of consideration) to be included in the definitive operating assets injection agreements prior to the EGM, and to sign such definitive agreements as soon as reasonably practicable thereafter. The parties will further in good faith endeavour to ensure that completion of the operating assets injection will take place within 6 to 9 months from the Completion of the Investment Agreement.

2.17 Discussions between the Company, CAOHC and BP on such assets injection, however, remain preliminary and exploratory, and there is no certainty that it will take place as contemplated or at all.

(F) *Conditions Precedent*

2.18 Completion of the issue and allotment of the CAOHC Investment Shares, BP Investment Shares and CAOHC Conversion Shares under the Investment Agreement is conditional upon, *inter alia*, the following conditions precedent being satisfied and/or fulfilled on or prior to Completion:

(a) approval of Shareholders in respect of the relevant transactions under the Restructuring Plan at the EGM;

(b) approval by the State-Owned Assets Supervision and Administration Commission of the PRC, the State Administration of Foreign Exchange of the PRC, the Ministry of Commerce of the PRC, the State Development Reform Commission of the PRC and other relevant PRC authorities to the transactions contemplated under the Restructuring Plan, and filings with the China Securities Regulatory Commission;

(c) approval-in-principle of the SGX-ST being obtained for the listing and quotation of the new Shares to be issued by the Company pursuant to the Restructuring Plan, and (where applicable) the transactions contemplated thereunder;

(d) the Creditors' Scheme and Shareholders' Scheme becoming effective;

(e) the Business Co-operation Agreement, Shareholders' Agreement and Subscription Agreement remaining in full force and effect on the Completion Date;

(f) there having been no material change or development in relation to certain matters; and

(g) the approval of all other relevant regulatory authorities and bodies to the transactions contemplated under the Restructuring Plan.

2.19 Completion of the issue and allotment of the Subscription Shares under the Subscription Agreement is conditional upon, *inter alia*, the satisfaction and/or fulfilment of the aforesaid conditions precedent set out in the aforesaid sub-paragraphs (a), (b), (c), (d) and (g) on or prior to Completion and the signing of the Shareholders' Agreement by CAOHC and BP, and such agreement remaining in full force and effect on the Completion Date.

2.20 Completion of the issue and allotment of the CAOHC Investment Shares, BP Investment Shares, CAOHC Conversion Shares and Subscription Shares are inter-conditional. As such, each of CAOHC, BP and Aranda will subscribe for its Shares under the Investment Agreement or Subscription Agreement (as the case may be) only if the other parties concurrently subscribe for their Shares under these agreements.

(G) *<u>Undertaking to Vote</u>*

2.21 Under the Investment Agreement and Subscription Agreement, CAOHC has undertaken, to the extent that it is not prohibited from doing so, to vote in favour of the resolutions relating to the Restructuring Plan at the EGM and to vote in favour of the Shareholders' Scheme.

IV. *<u>Shareholders' Scheme</u>*

2.22 Under the proposed Shareholders' Scheme, it is proposed that:

(i) the Company and CAOHC shall each perform such actions, covenants and undertakings as may be required of them under the Investment Agreement and Subscription Agreement for the purpose of satisfying and/or fulfilling the conditions precedent to Completion under the Investment Agreement and Subscription Agreement;

(ii) the Company and CAOHC shall execute all documents and do all acts and things necessary to implement the Restructuring Plan; and

(iii) CAOHC shall direct the Company to issue and allot the Shares arising from conversion of the balance Shareholder's loan (after waiver) on an *ex-gratia* basis and *pro-rata* to the Shareholders as at a specified record date on the terms set out in the Investment Agreement,

and in consideration of the foregoing, such Shareholders shall unconditionally and irrevocably waive all claims and potential claims, whether statutory, contractual, tortious or otherwise, and including any right to claim, in Singapore or elsewhere, against the Company, CAOHC and/or their respective directors and officers arising from any prior acts, omissions or events in connection with the circumstances giving rise to the financial conditions and difficulties of the Company.

2.23 Under the proposed Shareholders' Scheme, CAOHC will execute an accession deed whereby it will undertake to fulfil its obligations set out in the Shareholders' Scheme, subject to the Shareholders' Scheme being approved by the Shareholders and sanctioned by the court.

3. Developments in FY2003, FY2004 and FY2005

3.1 The Directors of the Company would like to caution that the ensuing description of business developments of the Group in FY2003, FY2004 and FY2005 should be read in the context of the financial difficulties currently facing the Company, and the proposed Restructuring Plan to rehabilitate the Company as a going concern. Reference is made in particular to the FY2004 full-year financial statements (including the extract of the auditors' report dated 5 December 2005), and FY2005 first, second and third quarterly unaudited financial statements, of the Company annexed to this Statement as Appendix 4.

FY2003

3.2 Tank Storage Agreement with TANKSTORE

On 21 February 2003, the Company announced that it had entered into an agreement with TANKSTORE a Singapore company, to lease 41,240 cubic metres of oil tank storage at Pulau Busing, Singapore, for a period of 12 months with effect from 1 March 2003. This agreement has since expired on 28 February 2004.

3.3 1-for-5 Bonus Issue

The Company issued and allotted 115,199,999 Shares to its Shareholders, in relation to a 1-for-5 bonus issue, for Shares held by Shareholders as at the book closure date of 10 June 2003.

3.4 US$160 million Five-Year Syndicated Term Credit Facility

On 18 July 2003, the Company entered into a US$160 million transferable term credit facility with ten international banks led by Societe Generale Asia Ltd. The facility was to facilitate the Company in pursuing investment opportunities.

3.5 Gasoil Purchase Deal with Saudi Aramco

On 28 November 2003, the Company entered into a contract with Saudi Aramco to buy more than 200,000 metric tones of gasoil for further sale by the Company in 2004.

3.6 Shuidong Oil Tank Farm Investment

On 29 December 2003, the Company entered into an agreement with Shenzhen Juzhengyuan Petrochemical Co Ltd ("**JZY**") to acquire 80% of its equity interest in its Shuidong oil storage facilities asset, which asset comprises, *inter alia*, 76,732 square metres of land, 6 tanks of 5,000 cubic metres each and 2 tanks of 10,000 cubic metres each. The total consideration was RMB18.4 million in cash. Under the agreement, the Company and JZY would inject their respective shares of the asset to form a joint venture to operate the oil tank farm and carry out oil-related activities. The additional investment to be injected by the Company into the joint venture subsequent to its formation was RMB21.6 million. Subsequently, Xinyuan was established and registered as a Sino-foreign equity joint venture enterprise on 9 April 2004.

3.7 FY2003 Financial Results

The Group recorded net profit after-tax of S$54.3 million and profit before tax of S$67.1 million, which represented 12.5% growth over the S$48.2 million in after-tax profits booked in FY2002 and a 22.8% gain on FY2002's S$54.6 million in pre-tax profits. The FY2002 results included one-time exceptional items amounting to S$12.7 million, arising from the write-back of unutilised provisions for management fees and staff bonuses in prior years which were included in FY2002's fourth quarter. If these exceptional items were excluded, pre-tax profit for FY2003 rose 60% over FY2002.

The Group's strategic investments were the main contributor to its bottom line. 3 dividends from CLH amounted to EUR6.6 million (S$13.1 million). Together with the equity accounting of SPIA's profits, investments accounted for 68% of the Group's profit before tax for FY2003.

FY 2004

3.8 *Acquisition of 24.5% Stake in South China Bluesky Aviation Oil Co. Ltd*

On 20 January 2004, the Company entered into a conditional agreement to purchase a 24.5% stake in South China Bluesky Aviation Oil Co. Ltd from Fortune Oil Plc of the United Kingdom. The acquisition was not completed as the stipulated conditions precedent were not satisfied and/or fulfilled.

3.9 *Memorandum of Understanding with Emirates National Oil Company Limited*

On 23 March 2004, the Company entered into non-binding memoranda of understanding with:

(a) Emirates National Oil Company Limited ("**ENOC**"), to acquire up to 20% equity stake in its wholly-owned subsidiary, Horizon Terminals Limited ("**HTL**");

(b) HTL, to form a joint venture company to build a US$135 million bulk liquid terminal at Banyan on Jurong Island; and

(c) ENOC, to explore business opportunities and investments in the Middle East.

No binding agreement was ever entered into between the Company, ENOC and HTL in relation to these subject matters.

3.10 *2-for-5 Bonus Issue*

The Company issued and allotted 276,479,993 new Shares to its Shareholders, in relation to a 2-for-5 bonus issue, for the Shares held by Shareholders as at the book closure date of 10 May 2004.

3.11 *Strategic Investment in Singapore Petroleum Company Limited*

On 18 August 2004, the Company entered into a conditional share purchase agreement ("**Share Purchase Agreement**") with Satya Capital Limited ("**Satya**") to purchase shares of Singapore Petroleum Company Limited ("**SPC**"). On 29 November 2004, the Company terminated the Share Purchase Agreement as Shareholders' approval to the share purchase was not obtained.

On 7 December 2004, the Company received a writ of summons from Satya, whereby the latter commenced a legal suit against the Company and CAOHC in relation to breach of the Share Purchase Agreement, claiming an amount of S$47,160,000 and damages. On 7 June 2005, the Company entered into a conditional settlement agreement with Satya, whereby, subject to the Creditors' Scheme being implemented, Satya agreed to settle its claims against the Company and CAOHC and accept a full and final claim of US$28 million, as a creditor in the Creditors' Scheme.

3.12 *Share Placement by CAOHC*

On 21 October 2004, CAOHC sold part of its Shares in the Company, amounting to 15% of the issued share capital of the Company at the time, through a share placement exercise.

3.13 *Proposed Scheme of Arrangement*

On 30 November 2004, the Company announced, *inter alia*, its significant losses from speculative oil derivative trading, and that it had, on 29 November 2005, applied for and obtained an order from the High Court of Singapore pursuant to Section 210 of the Act to convene a meeting of its Creditors to consider a proposed scheme of arrangement.

3.14 *Acquisition of CAOT*

On 9 December 2004, the Company acquired a wholly-owned subsidiary, CAOT, for the purchase consideration of S$1.00, for the purpose of carrying on the business of jet fuel procurement on an agency basis. CAOT commenced its jet fuel procurement business on 13 December 2004. In December 2004, the Company:

(a) signed a services agreement with CAOHC and CAOT for the provision of certain services, namely, the use of the Company's premises, including working space and facilities, to CAOT for a fee;

(b) seconded certain employees to CAOT with costs to be borne by CAOT; and

(c) entered into a trust deed for CAOHC to provide financial resources on a needs basis, to be held in trust for CAOT to carry on its business of jet fuel procurement.

CAOT also entered into separate agency agreements with CAOSC Aviation Oil Co., Ltd, SPIA and South China Bluesky Aviation Oil Co. Ltd in December 2004 to be appointed as their agent for jet fuel procurement, for which services it will be paid commissions.

3.15 *FY2004 Financial Results*

On 5 December 2005, the Company announced its FY2004 audited financial statements. The Group incurred a net loss of S$864.8 million for FY2004 compared to a net profit after tax of S$54.2 million for FY2003. The losses were mainly attributable to the massive losses suffered by the Company from its speculative oil derivatives trading activities. The net loss on derivatives trading of S$884.8 million included net losses on the trading of options of S$894.5 million and net gains on the trading of other derivatives of S$9.7 million.

Revenue for FY2004 was S$3.08 billion, reflecting an increase of nearly 28.4% compared with FY2003, largely contributed by the increase in volume of jet fuel traded in all four consecutive quarters coupled by the continual oil prices increase over the same period. Modest growth and contributions on the physical products from international trading led to the improved gross profit of S$41.5 million for FY2004 compared to S$19.8 million for FY2003.

The Group also reported a foreign exchange gain of S$17 million, arising from the favourable exchange rate movements between the date of recognition of the liabilities in November 2004 and year end rate. Interest income grew by 123% in FY2004 compared with FY2003. Excess cash balance above the working capital requirements coupled with the availability of the US$160 million syndicated loan that was drawdown in June 2004 contributed to the increase in interest income from S$1.2 million in 2003 to S$2.6 million in 2004. However, there was also the corresponding increase in interest payment to service the syndicated loan, from S$1 million in 2003 to approximately S$6 million in 2004.

In FY2004 4th quarter, the Company received the second distribution of net dividend income of S$7.2 million from its investment stake in CLH, aggregating to approximately S$9.5 m for FY2004. This represented a S$3.6 million (approximately 27.7%) decline compared to FY2003 when there were a total of 3 dividend receipts.

A major component of the operating costs in FY2004 4th quarter was an admission of S$45.9 million as final settlement for Satya claims against the Company and CAOHC (see Section paragraph 3.11 above).

In FY2004 4th quarter, based on an assessment report by an accredited independent valuer, Colliers International Consultancy & Valuation (Singapore) Pte Ltd, engaged by the Company, the fair value of the 2 leasehold office premises owned by the Company at 8 Temasek Boulevard, #31-02 Suntec Tower Three, Singapore 038988 was adjusted downwards, resulting in an impairment charge of S$6.4 million.

The Group's share of results before tax from its associated company, SPIA, increased from S$34.5 million in 2003 to S$46.9 million, an increase of nearly 36.1% on a year-on-year comparison.

Despite the significant accounting losses incurred by the Group in year 2004, the Group is still liable for tax expense reflecting under-provision of tax in prior years, withholding tax and its share of tax of its associated company. There was a write-back of provision for doubtful debt, which amounted to S$3.4 million, as the Company considers the general provision as no longer relevant since all the outstanding receivables were either recovered or adequate provisions had been made for the specific debts written off.

It has been noted in the extract of the auditors' report dated 5 December 2005 as attached to the Company's FY2004 financial statements that the losses of the Group and the conditions to the implementation of the Restructuring Plan indicate that there is material uncertainty which may cast doubt about the ability of the Group and the Company to continue as going concerns. The ability of the Group and Company to meet their financial obligations to continue as going concerns depend on the implementation of the Restructuring Plan as well as the Group generating sufficient positive cash flows from its operations post-Restructuring Plan. If the Group or Company are unable to continue in operational existence for the foreseeable future, they may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify long-term assets and liabilities as current assets and liabilities. No such adjustments have been made to the FY2004 financial statements of the Company.

It has been further noted in the aforesaid extract of the auditors' report dated 5 December 2005 that the auditors of Xinyuan, a subsidiary of the Company, were unable to obtain sufficient information they considered necessary for the purpose of ascertaining whether a provision for impairment loss is necessary in respect of the oil storage properties held by Xinyuan. Consequently, the auditors of the Company were unable to ascertain the appropriateness of the carrying value of the oil storage properties of S$4,565,500 in the consolidated balance sheet and the consequent effect on the consolidated profit and loss account for FY2004. The auditors of the Company were also unable to determine the appropriateness of the carrying value of the Company's investment in Xinyuan of S$8,220,795.

A copy of the FY2004 full-year financial statements of the Company (including the extract of the auditors' report dated 5 December 2005) is annexed to this Statement as Appendix 4.

FY2005

3.16 *Extension of Time for Release of FY2004 Financial Results and Holding of Annual General Meeting*

On 13 January 2005, the SGX-ST granted the Company an extension of time to announce its FY2004 results, subject to such results being announced before the suspension of the Company's Shares is lifted. The FY2004 full-year audited financial statements of the Company has been announced on 5 December 2005.

On 29 April 2005, the SGX-ST also granted the Company an extension of time to hold its Annual General Meeting ("**AGM**") within 2 months from the date of announcement of its FY2004 financial results.

The Company has sought approval from the Accounting & Corporate Regulatory Authority for an extension of time for the announcement of its FY2004 audited financial statements and the holding of its AGM under Sections 175 and 201 of the Act, respectively.

3.17 *Creditors' Scheme*

The Company filed its proposed scheme of arrangement with the High Court of Singapore on 24 January 2005. On 12 May 2005, it revised the scheme to improve overall recovery value for Creditors. The Creditors' Scheme was filed with the High Court of Singapore on 24 May 2005, and received the sanction of the High Court of Singapore to the Creditors' Scheme on 13 June 2005.

3.18 *US Class Actions*

2 class actions were filed against the Company and its Directors, Jia Changbin and Chen Jiulin, in the US in early 2005 for damages arising from certain alleged false or misleading statements of the Company in relation to the financial status and business prospects. On 29 November 2005, the relevant US court ruled that it has no subject matter jurisdiction and dismissed the plaintiffs' application to effect service of court process. It is not known whether the plaintiffs will appeal against the decision.

3.19 *Claim by Sumitomo Mitsui Banking Corporation*

On 2 February 2005, Sumitomo Mitsui Banking Corporation ("**Sumitomo**") filed a claim in the High Court of Singapore against the Company, for a sum of US$26 million, in respect of banking facilities. Please refer to Appendix 5 for more information.

3.20 *Claim Against J. Aron & Company*

On 16 March 2005, the Company filed a claim in the High Court of Singapore against J. Aron & Company ("**J. Aron**") for damages or recission of two agreements entered into between the Company and J. Aron for restructuring of the Company's options portfolio in January and June 2004. J. Aron is counterclaiming against the Company in relation to terminated derivatives transactions. Please refer to Appendix 5 for information on this claim.

3.21 *Judicial Management Petition by SK Energy Asia Pte Ltd*

On 22 February 2005, SK Energy Asia Pte Ltd ("**SK Energy**") filed a claim in the High Court of Singapore against the Company and its Directors claiming approximately US$14 million in respect of 3 jet fuel cargoes. On 4 March 2005, SK Energy filed a judicial management petition against the Company in the High Court of Singapore. The High Court of Singapore granted leave on 13 June 2005 for the petition to be withdrawn, in view of the Creditors' Scheme. The action was discontinued on 4 November 2005 after the Company and SK Energy reached a settlement, which provided, *inter alia*, that the amount claimed by SK Energy would be paid in accordance with the Creditors' Scheme. This settlement is conditional on the Creditors' Scheme being implemented.

3.22 *PWC Findings*

On 29 March 2005, the Company announced PWC's Statement of Phase 1 Findings, in relation to its review and investigation into the Company's affairs relating to the incurrence of its significant losses and the surrounding circumstances thereof. On 3 June 2005, the Company announced the further findings of PWC pursuant to completion of its investigations into the Company. Please refer to the Company's announcements of 29 March 2005 and 3 June 2005 for more information.

3.23 *Application by IMF (Australia) Ltd*

IMF (Australia) Ltd ("**IMF**"), a corporation incorporated in Australia, filed an application in the High Court of Singapore to compel the Company to produce its full list of Shareholders and their particulars. The matter was heard on 27 April 2005 and the court dismissed IMF's application with costs.

3.24 *Claim by Marshall Realty Pte Ltd)*

Marshall Realty Pte Ltd ("**Marshall**"), a Shareholder of the Company, filed proceedings in the Subordinate Courts of Singapore for pre-trial discovery of documents in relation to alleged misleading representations made by its Deputy Head of Investor Relations, John Casey, in relation to the Company's share placement exercise in October 2004. Marshall has not served its application on the Company. On 20 May 2005, the court dismissed Marshall's application with costs. Marshall has not taken any further action since then.

3.25 *Legal Action by Singapore Authorities*

The Company's suspended chief executive officer, Chen Jiulin, its head of Finance Division, Peter Lim and three of its non-executive Directors, Jia Changbin, Li Yongji and Gu Yanfei, were charged in court on 9 June 2005 for offences under the Act, the SFA and the Penal Code (Cap. 224). Actions by the authorities against these persons are still pending.

3.26 *Corporate Governance Assessment Committee*

On 30 June 2005, the Company appointed a Corporate Governance Assessment Committee to improve the corporate governance and management of the Company. The Committee comprises Lim Jit Poh, Wang Kai Yuen, Lee Suet Fern, Gu Yanfei and Meng Fanqui, with the following terms of reference: (a) to review and make recommendations to the Board on changes or improvements to be made to the Company's risk management systems and the strengthening of corporate governance within the Company; (b) to review and make recommendations to the Board on the Board and management and staffing structure; and (c) to review and make recommendations to the Board on the corporate policies and protocols and systems in the Company. The Committee is in the process of finalizing its report, and will deliver a copy to the Board when ready.

3.27 *CAOHC Settlement with the Authority*

On 19 August 2005, the Company announced that CAOHC had entered into a civil penalty settlement with the Authority for contravening the insider trading provisions of the SFA in relation to its share placement of the Company's Shares on 21 October 2005. As part of the settlement, CAOHC agreed to pay S$8 million to the Authority, and subject to implementation of the Restructuring Plan, to transfer to the Company's other Shareholders the CAOHC Conversion Shares arising from the balance amount of Shareholder's loan owed by the Company to CAOHC (after waiver).

3.28 *Voluntary Liquidation of Subsidiary*

On 16 September 2005, the Company announced the members' voluntary liquidation of its wholly-owned subsidiary, Greater China Travel Industry (Singapore) Pte Ltd, as it is a non-core business of the Company. Subsequent to this liquidation, the Company's subsidiaries will comprise China Aviation Oil Xinyuan Petrochemicals Co. Ltd, CAOT and China Aviation Oil Spain, S.A., which is a dormant company incorporated in Spain.

3.29 *Investments by CAOHC, BP and Aranda*

On 5 December 2005, the Company announced its Restructuring Plan, and in connection therewith, entered into conditional agreements with CAOHC, BP and Aranda in relation to their investment and subscription of Shares in the Company. A copy of the announcement of the Company dated 5 December 2005 in relation thereto is annexed to this Statement as Appendix 1.

3.30 *FY2005 First, Second and Third Quarterly Unaudited Financial Statements*

On 8 December 2005, the Company announced its FY2005 first, second and third quarterly unaudited financial statements. The Group incurred a net loss after tax of S$7.3 million for the nine months ended September 2005, compared to a net loss after tax of S$386.9 million for the same period in FY2004.

The primary source of revenue in FY2005 is from commissions earned by CAOT for carrying out the business of jet fuel procurement on an agency basis. There were substantial current liabilities (largely creditors) denominated in US dollars, which on translation into Singapore dollars as of September 2005, resulted in material foreign exchange losses of S$26.7 million, due to the further strengthening of the US dollar against the Singapore dollar. Professional fees of S$11.7 million relating to legal advisers and financial advisers (both local and overseas) including the engagement services by special investigative accountant (PWC) for their respective involvements with the corporate restructuring efforts were accounted for in the other operating costs.

Pending the implementation of the Restructuring Plan the Company continues to accrue finance costs comprised mainly of interest charges in servicing the US$160 million syndicated loan and bank overdrafts. The Company’s 33% share of the results of SPIA contributed approximately S$36.6 million to the Group’s profit before tax.

A copy each of the FY2005 first, second and third quarterly unaudited financial statements is annexed to this Statement as Appendix 4.

(C) The description of and number of shares or debentures, or units of shares or debentures, as the case may be, being offered by the issuer

1. This Statement relates to the proposed Creditors' Share Invitation, which forms part of the Company's Restructuring Plan, and is an invitation by the Company to the Tranche B Creditors holding Tranche B Debt under the Creditors' Scheme to subscribe for up to 72,282,059 Shares, representing approximately 10% of the Post-Restructuring Plan Share Capital (assuming all such Shares are fully subscribed), at the subscription price of S$0.515 per Share (or approximately US$0.3044, based on the Fixed Exchange Rate), making an aggregate subscription consideration of US$22,000,000 (based on the Fixed Exchange Rate).

2. The Creditors' Invitation Shares, when issued, will rank *pari passu* in all respects with the then issued Shares of the Company, except that they will not rank for any

dividend, right, allotment or other distributions, the record date for which falls on or before the completion date for the allotment and issue of the Creditors' Invitation Shares.

3. The conversion of an aggregate debt amount of US$22,000,000 into Shares of the Company (assuming the Creditors' Share Invitation is fully taken up) will provide cash and interests savings to the Company for its working capital purposes and/or reduce the deferred debt obligations and gearing of the Company. It will also enable Creditors holding the Creditors' Invitation Shares to participate in the potential growth of the Company.

(D) Where applicable, the names and addresses of the manager, the underwriter of the offer and, in the case of an offer of debentures or units of debentures, the trustee for debenture holders (if any)

There is no manager or underwriter for the Creditors' Share Invitation. Deloitte & Touche Corporate Finance Pte Ltd is the financial adviser to the Company in relation to the equity restructuring under the Restructuring Plan.

(E) The offer price, any discount or commission given to the underwriter, and the estimated net proceeds on an aggregate basis to be derived by the issuer from the issue or sale of the shares or debentures, or units of shares or debentures, as the case may be, being offered; if it is not possible to state the offer price or the discount or commission, the method by which it is to be determined must be explained

The issue price for each Creditors' Invitation Share is S$0.515 (or approximately US$0.3044, based on the Fixed Exchange Rate), which is equal to the Issue Price for each share to be subscribed for by CAOHC, BP and Aranda under the Investment Agreement and Subscription Agreement (as the case may be). The subscription consideration to be set off against the Tranche B Debt owing to Creditors will be calculated in US dollars, based on the Fixed Exchange Rate. The aggregate subscription consideration (assuming that the Creditors' Share Invitation is fully taken up) amount to US$22,000,000 (based on the Fixed Exchange Rate) which will be set off against the Tranche B Debt owing to the Tranche B Creditors who are allocated the Creditors' Invitation Shares.

(F) The range of the closing market price of the shares or debentures, or units of shares or debentures, as the case may be, during the previous 90 days

Not applicable, as the Company's Shares have been suspended from trading on the SGX-ST since 29 November 2004.

(G) The principal purposes for which the estimated net proceeds to be derived by the issuer from the issue or sale of the shares or debentures, or units of shares or debentures, as the case may be, being offered are intended to be used and the approximate amount intended to be used for each such purpose; if any material amounts of other funds are to be used in conjunction with the proceeds for such purposes, the amounts and sources of such other funds

There are no cash proceeds from the Creditors' Share Invitation. The conversion of an aggregate debt amount of US$22,000,000 into Shares of the Company (assuming the Creditors' Share Invitation is fully taken up) will provide cash and interests savings to the

Company for its working capital purposes and/or reduce the deferred debt obligations of the Company.

(H) The names and addresses of the directors of the issuer

	Name	***Address***
(a)	Jia Changbin	Unit 13-C, No. 23 Beiyuan Guancheng Garden, Haidian District Beijing, 100088 PRC
(b)	Chen Jiulin *(under suspension)*	120 Tanjong Rhu Road #06-01 Singapore 436904
(c)	Gu Yanfei	Zhonghangyou Plaza, Guancheng Garden, Madian, Haidian District, Beijing 100088 PRC
(d)	Li Yongji	Zhonghangyou Plaza, Guancheng Garden, Madian, Haidian District, Beijing 100088 PRC
(e)	Zhang Lianxi	Zhonghangyou Plaza, Guancheng Garden, Madian, Haidian District, Beijing 100088 PRC
(f)	Chen Kaibin	Zhonghangyou Plaza, Guancheng Garden, Madian, Haidian District, Beijing 100088 PRC
(g)	Jerry Lee Kian Eng *(Independent Director)*	20 Jago Close Singapore 428435
(h)	Tan Hui Boon *(Independent Director)*	31 Greenview Crescent Singapore 289336
(i)	Dr Yan Xuetong *(Independent Director)*	Apt 501, Northwest Building 13 Tsinghua, Beijing 100084 PRC

(I) The share and loan capital of the issuer, as of the date of lodgment of this Statement showing –
(i) in the case of the share capital, the authorised share capital and the issued and the paid-up capital; or
(ii) in the case of the loan capital, the total amount of the debentures issued and outstanding, together with the rate of interest payable thereon

1.	*Authorised share capital:*	S$60,000,000, comprising 1,200,000,000 ordinary shares of S$0.05 each
2.	*Issued and paid-up share capital:*	S$48,384,000, comprising 967,679,992 ordinary shares of S$0.05 each
3.	*Loan capital:*	No debentures have been issued by the Company

(J) The manner in which the shares, debentures, or units of shares or debentures, as the case may be, being offered are to be distributed, giving particulars of any outstanding or proposed underwriting, including the name and address of each underwriter

1. As at the date of this Statement, the debts owing to the Creditors participating in the Creditors' Scheme amounts to approximately US$482 million. Creditors with debts amounting to US$40.7 million have elected for Tranche A Distribution (as defined in the Creditors' Scheme), and the remaining Creditors with debts of US$441.3 million have opted for Tranche B Distribution (as defined in the Creditors' Scheme).

2. Based on the elections by Creditors, the recovery rates of the Creditors are as follow:

   (a) Creditors opting for Tranche A Distribution will receive cash distribution of US$18.3 million, representing a 45% cash recovery; and

   (b) Creditors opting for Tranche B Distribution will receive cash distribution of US$111.7 million (representing a 25.3% cash recovery), and Deferred Debt of US$145 million (representing a 32.9% cash recovery), representing an overall aggregate 58.2% recovery.

3. The Creditors' Share Invitation is solely for Tranche B Creditors holding Tranche B Debt. Creditors holding Tranche A Debt **are not** entitled to participate.

4. The Company proposes, subsequent to the lodgment of this Statement, to send to Tranche B Creditors invitation letters and share application forms, to apply to subscribe for the Creditors' Invitation Shares.

5. The subscription consideration payable by each applicant Tranche B Creditor shall be set-off by the Company from the relevant amount of the Tranche B Distribution cash portion and/or Deferred Debt owing by the Company to such Tranche B Creditor. The applicant Tranche B Creditor must indicate in its application form the respective amounts of the Tranche B Distribution cash portion and/or Deferred Debt (in the proportions it may choose) for satisfaction of the subscription price for the Creditors' Invitation Shares which may be allocated to it. In any event, the Company shall have the right to allocate such number of Creditors' Invitation Shares using either the Tranche B Distribution cash portion and/or Deferred Debt and in such proportion as it may deem fit to the successful applicants.

6. In accordance with the allocation of Tranche B Distribution and Deferred Debt proportion under the Creditors' Scheme:

   (a) 43.5% of the Creditors' Invitation Shares, comprising 31,448,874 Shares, shall be allocated to satisfy applications made by Tranche B Creditors using Tranche B Distribution; and

   (b) 56.5% of the Creditors' Invitation Shares, comprising 40,833,185 Shares, shall be allocated to satisfy applications made by Tranche B Creditors using Deferred Debt.

7. In the event that the Shares allocated to applications made using the Tranche B Distribution are not fully subscribed, the remaining Shares shall be made available, *pro-rata*, to applications made using the Deferred Debt. *Vice versa*, in the event that Shares allocated to applications made using the Deferred Debt are not fully subscribed, the remaining Shares shall be made available, *pro-rata*, to satisfy applications made using the Tranche B Distribution.

8. For applications of Shares made by Tranche B Creditors using the Deferred Debt, the

subscription consideration payable for such Shares shall be set-off on the Completion Date against the amount of Deferred Debt owed to such Creditors in the following proportions:

(a) 46.9% of the amount will be set-off on the Completion Date from that part of the Deferred Debt which would otherwise be payable to such Tranche B Creditors in Year 1;

(b) 5.5% of the amount will be set-off on the Completion Date from that part of the Deferred Debt which would otherwise be payable to such Tranche B Creditors in each of Year 2, Year 3 and Year 4, respectively; and

(c) 36.6% of the amount will be set-off on the Completion Date from that part of the Deferred Debt which would otherwise be payable to such Tranche B Creditors in Year 5.

The aforesaid proportions of set-off are pro-rated in accordance with the repayment schedule for Deferred Debt under the Creditors' Scheme.

9. The Creditors' Invitation Shares will be issued and allotted to the successful applicants on the Completion Date, being the same day that the issue and allotment of the CAOHC Conversion Shares, CAOHC Investment Shares and BP Investment Shares shall take place.

10. It is the Company's intention, as far as practicable, to issue the Creditors' Invitation Shares to Creditors in lots of 1,000 Shares, in order to avoid any "odd lot issue". Accordingly, the Company retains the discretion to make the necessary adjustments.

11. In the event of excess applications for the Creditors' Invitation Shares, the allocation of Creditors' Invitation Shares to the successful applicants will be determined by the Company in its sole and absolute discretion, and the Company shall not be obliged to disclose its basis of determination or allocation. The Company also has the right to reject or accept, in whole or in part, any application without assigning any reason whatsoever.

12. In the event of any under-subscription of the Creditors' Invitation Shares, the Company shall have the absolute discretion to offer the excess Creditors' Invitation Shares to such persons as the Directors may deem fit, subject to the approvals (if necessary) of the SGX-ST, the Authority, the Shareholders, and the relevant parties to the Investment Agreement and Subscription Agreement.

(K) The profits' prospects and dividends of the issuer, together with:-
(i) the following information in respect of the issuer or if it is the holding company of a group, the group, for each of the 3 most recent completed financial years in the following format:-

Group	*Profit/(Loss) before tax (S$)*	*Profit/(Loss) after tax (S$)*	*Extraordinary items (S$)*	*Gross rate of dividend (%)*
FY2002	56,641,000	48,224,000	Nil	12%
FY2003	67,097,000	54,270,000	Nil	45%
FY2004	(853,304,000)	(864,865,000)[(1)]	Nil	Nil

Group	*Profit/(Loss) before tax (S$)*	*Profit/(Loss) after tax (S$)*	*Extraordinary items (S$)*	*Gross rate of dividend (%)*
9 months ended 30 September 2005 (unaudited)	(1,392,000)	(7,296,000)	Nil	NA

Note:

(1) Includes loss on derivatives trading of S$884,750,000 and claim of S$45,948,000 by Satya

(ii) a statement as to the financial and business prospects of the issuer or, if it is the holding company of a group, the group, together with any material information which will be relevant thereto, including all special business factors or risks (if any) which are unlikely to be known or anticipated by the general public and which could materially, affect profits; and

1. Post-Restructuring Plan Business Strategies

1.1 The Company commenced its jet fuel procurement operations in July 1997 primarily as an overseas procurement arm to import jet fuel into the PRC for its then parent company, CAOSC. Between 1997 and the public listing of the Company in 2001, the Company developed its business further by trading in oil products such as fuel oil and petrochemical products (e.g. plastic resins etc). The Company also started trading in oil derivatives from 1998 primarily as a tool to hedge price risk exposures associated with its jet fuel and fuel oil cargoes, and in crude oil futures to hedge its crude oil cargoes.

1.2 Subsequent to the listing of the Company in 2001, the Company's business model was based on a three pronged strategy, which focused on (a) jet fuel procurement, (b) trading of petroleum products (such as jet fuel, gas oil, fuel oil, crude oil and plastic resins and oil derivatives), and (c) strategic investments in oil related businesses.

1.3 The Company intends to continue these core business moving forward as follows:

Jet Fuel Procurement

(a) Maintain and expand the jet fuel procurement business. The initial focus after the implementation of the Restructuring Plan would be to re-establish the Company's jet fuel procurement business which has since been carried out by CAOT on an agency basis.

Trading of Oil Products

(b) Re-commence the oil products trading business in consultation and partnership with BP.

Strategic Investments in Oil Related Businesses

(c) Continue making strategic investments in oil related businesses. The Company currently has investments in the following:

(i) SPIA, which provides jet fuel services comprising the transport, storage and delivery of fuel into planes at airports;

(ii) Xinyuan, which is a joint-venture between the Company, CAOHC and

Shenzhen Juzhengyuan Petrochemical Co. Ltd. Xinyuan owns 100% of the Shuidong storage tank farm near Shuidong pier in the city of Maoming in Guangdong province; and

(iii) CLH, which provides oil products logistics including storage, transport and distribution services on land and sea. It also carries on other activities that complement its basic logistics operations such as fuel storage and servicing planes, bunkering and capillary distribution via tanker. Additionally, it is also involved in a number of secondary activities such as fuel pump and equipment maintenance, research and development, and lubricant blending and packaging. It is the Company's intention to divest its interest in CLH in 2006 as part of the Restructuring Plan.

2. *Risk Factors*

Risks Relating to the Company's Business and the Jet Fuel Industry

2.1 Reliance on parent group

The Company's jet fuel business is heavily dependent on its parent group which imports jet fuel from the Company. The Company's parent group is authorised by the Ministry of Foreign Trade and Economic Cooperation of the PRC to allocate the import quota for jet fuel import into the PRC.

On 3 January 2001, CAOSC issued a management directive to all its subsidiaries and associated companies to purchase all imported jet fuel from the Company on a long-term basis beginning January 2001. CAOSC also issued a management directive on 8 October 2001 to the Company stating that it will not withdraw the management directive on 3 January 2001 within the next few years, and it will not set up another overseas company carrying on the business of jet fuel procurement that will compete with the Company's business.

The business climate in relation to the current jet fuel import restrictions may change as the PRC is geared towards a market-oriented economy. In addition, as oil is highly regarded as a strategic resource in many countries, there is a risk that the PRC government might reorganize and restructure the methods of oil importation in to the PRC. As the Company's jet fuel business is dependent on CAOHC being authorised by the PRC government to allocate the import quota for jet fuel and a high percentage of the Company's jet fuel business is with its parent group in the PRC, any change in import regulations on jet fuel may adversely affect its business. In the event that the PRC government revokes or restricts the authority given to CAOHC to allocate the jet fuel import quota, or liberalises the importation of jet fuel to allow more entities other than its parent group to import jet fuel, the Company's sales to the PRC market through its parent group will be affected and this might have an adverse impact on the Company's profitability.

2.2 Decrease in global air traffic

The Company's business of procuring jet fuel to the PRC market is closely tied to the amount of air traffic in the PRC aviation industry. Unforeseen circumstances, such as terrorist attacks, Severe Acute Respiratory Syndrome (SARS) and the Avian flu may lead to a fall in demand for air travel in the PRC, which may consequently lead to a decline in demand for imported jet fuel to the PRC market. This will adversely affect the Company's sales of jet fuel to the PRC market and its profits.

2.3 Failure to compete effectively in a highly competitive environment

The oil trading industry is highly competitive as the barriers to entry are low. If the Company does not compete effectively with its competitors, for example, as regards to price and services, its profitability and prospects will be adversely affected. The Company cannot assure its Shareholders that it will be able to compete successfully in the future against its existing or potential competitors or that its business, financial condition and results of operation will not be adversely affect by increased competition. More foreign players may enter the PRC oil markets now that the PRC is admitted into the World Trade Organisation. As a result, the Company may face greater competition which may affect its sales and profits and may cause the Company to gradually lose its dominant share in the PRC jet fuel import market. The extent, timing and impact of this cannot be determined

2.4 Vulnerable to the volatility of oil prices

The oil market is volatile and often unpredictable as it is subject to prevailing demand and supply conditions. Oil price generally increases when there is a shortage of oil supply or an upsurge in demand for oil. Adverse movements in the prices of oil products in which the Company trades are likely to affect its profits in situations when the Company may have committed to sell cargoes at fixed prices but it may have committed to buy at floating rates or may not have sourced the cargoes from the suppliers. If the oil prices increase after the Company has concluded its contract to sell, the Company may have to purchase the cargoes at the higher prevailing prices and its profit margin will be reduced. Similarly, the Company may incur losses from the decline in oil prices when it may have committed to buy cargoes at fixed rate but have committed to sell the cargoes at floating rate. In addition, an increase in oil prices may cause the Company's customers to defer purchase of oil and other oil products, hence affecting its profits for that period.

2.5 Vulnerable to the volatility of the freight market

CAOT currently operates as an agency business and does not incur any freight charges in the course of its business. However, upon the Company's re-commencement of its jet fuel procurement business, freight costs may be incurred depending on the nature of the purchase terms. When the Company sells on Cost Insurance and Freight (CIF) or Cost and Freight (CFR) terms or when it buys on Free on Board (FOB) terms, the Company has to bear the freight costs. If the Company does not lock in the freight costs at the time of the FOB purchase, the Company will be exposed to the fluctuating freight costs. However, since all freight costs are locked at the time of agreement (i.e. sold CIF or CFR and bought CFR or CIF back to back basis) all freight exposure is passed on to the seller. CAO will not purchase FOB basis if CAO does not have any confidence to lock in the freight rate at the point of agreement. Therefore the Company is to a large extent insulated against fluctuation in freight prices.

2.6 Subject to credit risk

In view of its financial difficulties, the Company established CAOT to act as an agent buyer of aviation fuel and CAOT accordingly has little credit risk at present. In due course, the Company intends to re-commence procurement of jet fuel from overseas markets for distribution to the PRC civil aviation industry through its parent group and it will gradually extend distribution to other oil products. This will involve some degree of credit risk. Each transaction in the course of the Company's procurement business generally amounts to more than US$1 million and may even exceed US$15 million. The Company might encounter serious cash flow problems if it encounters any credit problems with its customers or end users. Credit problems may cause a material negative impact on the Company's financial position. The Company may be increasingly exposed to such risks as it expects to be dealing with a greater number of other companies as it expands its business.

2.7 Subject to risks arising from derivatives trading

The Company may in the future trade in oil derivatives including paper swaps and futures in the course of its hedging activities. As such, the Company may be exposed to the risks arising from the fluctuations of prices of the underlying commodities.

2.8 Subject to foreign exchange translation losses

As all the Company's sale and purchase transactions are conducted in US dollars, the Company is generally not subject to significant foreign exchange transaction risks. The Company does experience a small extent of foreign exchange transaction risk as its needs to convert its US dollar cash flow to Singapore dollars to pay its operating expenses such as staff costs. Any significant depreciation of the US dollars against Singapore dollars will result in a foreign exchange translation loss and accordingly reduce the Company's profit. However, the Company is subject to foreign exchange translation risk as its reporting currency is denominated in SGD while its transaction currency is denominated in US dollars.

2.9 Global Trader Program ("GTP") Status

The Company obtained GTP status (then known as Approval Oil Trader status) in July 1998. The Company's GTP status was extended in June 2003 for another 5 years. Under the GTP scheme, the Company was given preferential tax status to pay taxes at a rate of 10%. On application the Company was awarded a further concessionary rate of 5% from 2004 onwards on income derived from qualifying trading transactions of approved products in its business. However, due to the financial difficulties and the termination of its derivatives business, the Company no longer qualifies for the abovementioned preferential tax status. The loss of this award would lead to the Company being subject to the statutory tax rate of 20%.

2.10 Risk relating to non-completion of the Investment Agreement and Subscription Agreement

Completion of the Investment Agreement or Subscription Agreement may not take place for non-satisfaction or fulfillment of the conditions precedent thereunder. In the event that Completion under the Investment Agreement or Subscription Agreement does not take place, the Restructuring Plan will not be implemented, and the Creditors' Scheme may be terminated, such that the Company may be subject to receivership, judicial management, liquidation or similar actions by Creditors. As mentioned in paragraph 3.15 of Section B, the ability of the Group and Company to meet their financial obligations to continue as going concerns depend on, *inter alia*, the implementation of the Restructuring Plan. The issue of the Creditors' Invitation Shares to Creditors who subscribe for such Shares under the Creditors' Share Invitation, will not, however, take place unless the Restructuring Plan is implemented to the satisfaction of the Company.

2.11 Risk relating to Business Co-operation Agreement with BP

Under the Business Co-operation Agreement, it is expected that BPS will play an important role in the future operations of the Company. Failure to complete the Investment Agreement with BP will result in the termination of the Business Co-operation Agreement, and might have an adverse impact on the operations of the Company and the Restructuring Plan.

2.12 Risk relating to loss of tax loss benefits

The extent of tax losses that may be utilised to off-set future profits is uncertain, as such tax loss benefits are subject to the agreement of the relevant tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the Group Companies operate. If such tax authorities do not agree with the recoverability of such tax losses or the full extent thereof, it may have an adverse effect on the Group's financial performance.

Risks Relating to the PRC

2.13 Political, economic and social policies of the PRC government could affect the Company's business

Over 90% of the Company's jet fuel business dealings are with its parent group in the PRC and the Company will continue to be dependent on its parent group for its jet fuel business in the foreseeable future. As such, the general political, economic, social and legal conditions prevailing in the PRC will directly and indirectly affect the Company's financial performance. Since 1978, the PRC government has been reforming China's economic system and has also begun reforming the government structure in recent years. Such reforms, for example, the "open door" reform policy, have resulted in significant economic growth for the PRC in the last two decades. Although the PRC government still owns a significant portion of the PRC's productive assets, its economic reform policies are currently geared toward the utilisation of autonomous enterprises and market mechanisms. As such, these reforms will have a positive effect on the PRC's long-term development which will have a positive effect on the Company's customers' business and in turn have a positive effect on the Company's sales to its PRC customers. However, there is no assurance that the PRC government may not change its political, economic and social policies and laws in a way that may have a material adverse impact on the Company's future business, operations or financial performance.

2.14 Price reform in the PRC aviation oil market could affect the Group's profit margin

PRC authorities are expected to consider and implement measures to open up the PRC aviation oil market. As part of these measures, the current jet fuel pricing system may be reformed to bring pricing to be more in line with international jet fuel markets. The timing and impact of such reforms is uncertain, but if implemented, could lead to a reduction in the profit margin presently enjoyed by the Group.

2.15 Foreign exchange policy in the PRC may affect the expatriation of funds from SPIA

The PRC government recently changed its foreign exchange policy such that the RMB is no longer pegged to the US dollar. The RMB exchange rate is now based on market supply and demand with reference to a basket of currencies. As such, there is no assurance that the RMB will not be subject to adverse market movements. There is also no assurance that the RMB will not be subject to devaluation or depreciation due to administrative or legislative intervention by the PRC government. A devaluation of the RMB may adversely affect the amount of dividend receivable from SPIA. Furthermore, any declaration of dividends in RMB by SPIA would be subject to the relevant PRC rules and regulations. Should the expatriation of the said dividends to the Company be restricted by foreign exchange control policies, it may have an adverse effect on the Company's financial performance.

2.16 Expiration of tax incentives enjoyed by SPIA may affect the Company's financial performance and possibility of tax liability of SPIA

SPIA currently enjoys a concessionary income tax rate of 15%. In the event such concession is withdrawn, SPIA's profitability may be adversely affected.

While there has not been any objections from the State Tax Bureau of the PRC on the application of the preferential concessionary income tax rate of 15% for the period December 2002 to 31 December 2003, there is a risk that the State Tax Bureau may dispute the same, and if so, the potential income tax liability of SPIA in respect of such periods will amount to approximately RMB96 million, and this has not been provided for in the accounts of SPIA. Such liability may have an adverse effect on the future profit distributions of SPIA and consequently, have an adverse effect on the financial performance of the Group.

<u>Risks Relating to Ownership of the Company's Shares</u>

2.17 <u>Share prices might be volatile</u>

The trading prices of the Company's Shares could be subject to fluctuations in response to variations in its results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting the Company, its customers, or its competitors, changes in financial estimates by securities analysts, the operating and stock price performance of other companies, general stock market price fluctuations and other events or factors. Volatility in the price of the Company's Shares may be caused by factors beyond its control and may be unrelated and disproportionate to its operating results.

2.18 <u>CAOHC and BP, being the post-Restructuring Plan substantial Shareholders of the Company, can influence the outcome of matters submitted to Shareholders for approval</u>

Subsequent to the implementation of the Restructuring Plan, CAOHC and BP, who have entered into the Shareholders' Agreement, will hold an aggregate 71% of the issued Shares of the Company, and have the ability to exercise significant influence over all matters requiring Shareholders' approval and also certain reserved matters agreed between them in the Shareholders' Agreement, including the election and appointment of directors and committee members and the approval of significant corporate transactions, and will have veto power with respect to any Shareholders' action or approval requiring a majority vote. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of the Company which may benefit the Company's Shareholders.

2.19 <u>Dilution of CAOHC's shareholding in the Company such that the Company is no longer a subsidiary of CAOHC</u>

The Company's market share in jet fuel procurement is largely dependent on its relationship with its parent group. In the event that there is dilution of CAOHC's stake in the Company as a result of sale of Shares by CAOHC or future placements of Shares to other Shareholders such that CAOHC no longer holds the majority stake in the Company, its relationship with the parent group may be eroded. As a result, the Company's parent group may revoke the management directive given to the parent group to place jet fuel orders with the Company. The Company may then have to compete with the other jet fuel traders to obtain orders from its parent group. The Company's jet fuel sales and profits may thus be adversely affected.

3. <u>Changes in Share Capital and Shareholding Structure, and Financial Effects, Arising from the Restructuring Plan</u>

3.1 The Post-Restructuring Plan shareholding structure of the Company is set out in <u>Appendix 3</u>.

3.2 The changes in share capital of the Company, and financial effects on the net tangible assets ("**NTA**") per share, earnings per share ("**EPS**") and gearing of the Company, arising from the Restructuring Plan, is set out in <u>Appendix 6</u>.

(iii) a statement, by the directors of the issuer, whether in their reasonable opinion, the working capital available to the issuer or, if the issuer is the holding company of a group, the group, is sufficient for present requirements and, if insufficient, how the additional working capital thought by the directors to be necessary, is proposed to be provided

The Directors are of the view that, taking into account the terms of the Restructuring Plan, if the Restructuring Plan is successfully implemented in its entirety, the Company will have sufficient working capital for its proposed business activities post-Restructuring Plan.

(L) The number of shares of the issuer owned by each Substantial Shareholder

Based on information available to the Company, and as at the date hereof, CAOHC is the sole substantial Shareholder of the Company, with a direct interest of 580,608,000 Shares in the Company, comprising 60% of its existing issued and paid-up share capital. CAOHC does not have any indirect interest in Shares of the Company.

(M) Information on any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had in the last 12 months before the date of lodgment of the Statement, a material effect on the issuer's financial position or profitability

Please refer to Appendix 5 for information on the legal or arbitration proceedings of the Group, which may have or have had in the last 12 months before the date of this Statement, a material effect on the Company's financial position or profitability.

(N) The prices of which shares in, debentures of, or units of shares in or debentures of, the issuer have been issued for cash, or traded, within the 12 months immediately preceding the date of lodgment of the Statement; for shares which have been traded, give the price range and volume traded for each of those months; for shares or debentures which have been issued during those months, state the number of shares or debentures issued at each price; if any shares or debentures, or units of shares or debentures, have been issued for services, state the nature and value of the services and give the name and address of the person who received the shares or debentures, or units of shares or debentures

During the last 12 months immediately preceding the date of this Statement, there were no Shares in, debentures of, or units of Shares in or debentures of the Company issued by the Company for cash. The Company's Shares have also been suspended from trading on the SGX-ST since 29 November 2004.

(O) A summary of each material contract, other than a contract entered into in the ordinary course of business, to which the issuer or a subsidiary of the issuer is a party, for the period of 2 years before the date of lodgment of the Statement, including the date of, parties to and general nature of the contract, and the amount of any consideration passing to or from the issuer or the subsidiary

Please refer to Appendix 7 for a summary of the material contracts of the Group for the past 2 years.

(P) Particulars of any other material facts relating to the shares or debentures, or units of shares or debentures, as the case may be, being offered and not disclosed pursuant to the above sub-paragraphs

Save as disclosed in this Statement, and as otherwise disclosed in public announcements or Shareholders' circulars of the Company, the Directors are not aware of any other material facts relating to the Creditors' Share Invitation that are not disclosed hereunder.

(Q) The last audited consolidated balance sheet of the issuer

Please refer to the FY2004 full-year audited financial statements of the Company in Appendix 4.

(R) A table or statement indicating –
(i) the consolidated net tangible assets per share of the issuer as of the date on which the last audited balance sheet was made up; and
(ii) the effect of the issue on the net tangible asset per share

The consolidated NTA per share of the Company and the Group are as follow:

		Company	Group
(i)	As at 31 December 2004[1]	(0.728)	(0.686)
(ii)	After the Creditors' Share Invitation[2]	0.05	0.16

Notes:

(1) Based on an issued share capital of 967,679,992 Shares.

(2) Based on the assumption that the Restructuring Plain is implemented in its entirety and the Creditors' Share Invitation is fully taken up.

(S) Where a statement or report attributed to a person as an expert is included, the name, address and qualification of that expert and a statement that the expert has given and has not withdrawn his written consent to the issue of the Statement with the inclusion of the statement or report in the form and context in which it is included in the Statement

Not applicable.

Dated this 9 December 2005

The foregoing constitutes full and true disclosure of all material facts relating to the Creditors' Share Invitation and the Shares thereunder offered by this Statement.

Jia Changbin	
Gu Yanfei	*Li Yongji*
Zhang Lianxi	*Chen Kaibin*
Jerry Lee Kian Eng	*Tan Hui Boon*
Dr Yan Xuetong	*Chen Jiulin**

**Notes*:

(1) *Mr Chen Jiulin, being our Managing Director and Chief Executive Officer, has had his duties suspended since 30 November 2004. He has not been involved in the Restructuring Plan, including the Creditors' Share Invitation, of which this Statement relates to.*

(2) *Mr Chen Jiulin has been exempted from signing this Statement pursuant to the Securities and Futures (Offers of Investments) (Shares and Debentures) (Exemption of China Aviation Oil (Singapore) Corporation Ltd) Regulations 2005, which came into operation on 6 December 2005.*

(3) *Mr Chen Jiulin does not take responsibility for any contents of this Statement.*

APPENDIX 1

ANNOUNCEMENT OF THE COMPANY DATED 5 DECEMBER 2005
IN RELATION TO ITS RESTRUCTURING PLAN

Note: Please refer to Appendix 3 of this Statement for the revised Post-Restructuring Plan Share Capital Structure, which supersedes the Appendix 1 to the Announcement of 5 December 2005.

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
("Company")
(Incorporated in the Republic of Singapore)
Company Registration Number: 199303293Z

ANNOUNCEMENT

INVESTMENT BY CHINA AVIATION OIL HOLDING COMPANY, BP INVESTMENTS ASIA LIMITED AND ARANDA INVESTMENTS PTE. LTD. IN THE COMPANY PURSUANT TO CONDITIONAL AGREEMENTS ENTERED INTO ON 5 DECEMBER 2005

The Directors of the Company are pleased to announce that the Company has today entered into:

(a) a conditional investment agreement with its holding company, China Aviation Oil Holding Company ("**CAOHC**") and BP Investments Asia Limited ("**BP**") in relation to their proposed investment in the Company ("**Investment Agreement**"); and

(b) a conditional subscription agreement with Aranda Investments Pte. Ltd. ("**Aranda**") (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**")) in relation to its subscription of shares in the Company ("**Subscription Agreement**").

I. Investment Agreement

Pursuant to the Investment Agreement, and subject to the terms and conditions therein:

(a) CAOHC will invest US$75,770,000 (based on a fixed US$:S$ exchange rate of 1.6920573 ("**Fixed Exchange Rate**")) in the Company for 248,945,984 new shares in the Company ("**CAOHC Investment Shares**"), comprising approximately 34.44% of the Post-Restructuring Plan Share Capital (as defined below), at the effective issue price per share of S$0.515 ("**Issue Price**").

(b) BP will invest US$44,000,000 (based on the Fixed Exchange Rate) in the Company for 144,564,119 new shares in the Company ("**BP Investment Shares**"), comprising approximately 20.00% of the Post-Restructuring Plan Share Capital, at the Issue Price.

(c) CAOHC will waive approximately US$113,151,572 (or approximately 92.56%) of the outstanding shareholder's loan (of US$111,155,869) and outstanding declared and unpaid dividend (of US$11,090,465) owing by the Company to CAOHC, and convert the balance amount (of US$9,094,762) into 29,881,278 new shares in the Company, comprising approximately 4.13% of the Post-Restructuring Plan Share Capital, at a conversion price equal to the Issue Price ("**CAOHC Conversion Shares**"); and

(d) pursuant to and in discharge of the settlement between the CAOHC and the Monetary Authority of Singapore in relation to the placement of shares in the Company by CAOHC on 21 October 2004 and as part of the Shareholders' Scheme (as defined below), CAOHC will direct that 27,171,435 CAOHC Conversion Shares (or approximately 90.9% of the CAOHC Conversion Shares, being the shares attributable to the shareholder's loan owing to CAOHC), comprising approximately 3.76% of the Post-Restructuring Plan Share

Capital, be issued and allotted on an *ex-gratia* basis and *pro-rata* to the shareholders of the Company (other than CAOHC and its associates, if any), based on their respective shareholdings in the Company, on a specified record date to be determined.

II. Subscription Agreement

Under the Subscription Agreement, and subject to the terms and conditions therein, Aranda will invest US$10,230,000 (based on the Fixed Exchange Rate) in the Company for 33,611,158 new shares in the Company ("**Subscription Shares**"), comprising approximately 4.65% of the Post-Restructuring Plan Share Capital, at the Issue Price.

III. Creditors' Scheme

The entry into the Investment Agreement and Subscription Agreement is in connection with the scheme of arrangement made with the creditors of the Company under Section 210 of the Companies Act (Cap. 50) ("**Act**"), which was approved by creditors and sanctioned by the High Court of Singapore on 13 June 2005 ("**Creditors' Scheme**").

Under the Creditors' Scheme, it is contemplated, *inter alia*, that:

(a) There would be a cash injection of US$130 million from CAOHC and new strategic investor(s) into the Company, and US$30 million of the investment will be used for the working capital of the Company and the balance US$100 million used as part of the upfront cash distribution to creditors under the Creditors' Scheme (excluding CAOHC).

(b) Creditors under the Creditors' Scheme (other than CAOHC) will receive cash distribution ("**Creditors' Pay-Out**") of:

  (i) US$100 million derived from the aforesaid cash injection; and

  (ii) US$30 million derived from the existing assets of the Company.

(c) The balance debt owing to the creditors (excluding CAOHC) after the Creditors' Pay-Out will be restructured, deferred and repaid to them with interest over a 5 year period, which repayment and payment will be guaranteed by CAOHC. The balance amount of debt owing will be waived by the creditors. Certain of BP's affiliates are also creditors under the Creditors' Scheme.

(d) CAOHC will waive not less than 55% of the outstanding shareholder's loan and outstanding dividend owing to it and convert the remaining amount into shares of the Company.

Shareholders may wish to refer to the Company's announcements of 12 May 2005 and 24 May 2005 for more information on the Creditors' Scheme.

IV. Restructuring Plan

The Creditors' Scheme is a component of the overall debt and equity restructuring plan of the Company ("**Restructuring Plan**"), aimed at rehabilitating the Company as a going concern and lifting the suspension of trading of the Company's shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The proposed Restructuring Plan encompasses, *inter alia*, the implementation of the following:

(a) Creditors' Scheme.

(b) Share consolidation of the share capital of the Company so that every 5 ordinary shares of S$0.05 each are consolidated into 1 ordinary share of S$0.25 (or in the event that the concept of par value of shares is abolished under Singapore law pursuant to any amendment of the Act, the consolidation of the share capital of the Company so that every 5 ordinary shares are consolidated into 1 ordinary share) ("**Share Consolidation**").

(c) Issue of the CAOHC Conversion Shares, CAOHC Investment Shares and BP Investment Shares to CAOHC and BP (as the case may be) pursuant to the Investment Agreement.

(d) Issue of the Subscription Shares to Aranda pursuant to the Subscription Agreement.

(e) Invitation to creditors (who have opted for Tranche B Debt under the Creditors' Scheme) to subscribe for 72,282,059 shares ("**Creditors' Share Invitation**"), representing approximately 10% of the enlarged share capital of the Company post-Restructuring Plan (assuming the Creditors' Share Invitation is fully taken up and the Restructuring Plan is implemented in its entirety) ("**Post-Restructuring Plan Share Capital**"), at a subscription price equal to the Issue Price. The subscription consideration payable by each applicant creditor shall be set off by the Company against the debt payable to creditors under the Creditors' Scheme. The aggregate subscription consideration to be set-off by the Company, if the Creditors' Share Invitation is fully taken up, is US$22,000,000 (based on the Fixed Exchange Rate).

(f) Scheme of arrangement between the Company and its shareholders under Section 210 of the Act ("**Shareholders' Scheme**") whereby it is proposed that:

  (i) the Company and CAOHC shall each perform such actions, covenants and undertakings as may be required of them under the Investment Agreement for the purpose of satisfying and/or fulfilling the conditions precedent to completion under the Investment Agreement;

  (ii) the Company and CAOHC shall execute all documents and do all acts and things necessary to implement the Restructuring Plan; and

  (iii) CAOHC shall direct the Company to issue and allot the shares arising from conversion of the balance shareholder's loan (after waiver) on an *ex-gratia* basis and *pro-rata* to the entitled persons on the terms set out in the Investment Agreement,

  and in consideration of the foregoing, such shareholders shall unconditionally and irrevocably waive all claims and potential claims, whether statutory, contractual, tortious or otherwise, and including any right to claim, in Singapore or elsewhere, against the Company, CAOHC and/or their respective directors and officers arising from any prior acts, omissions or events in connection with the circumstances giving rise to the financial conditions and difficulties of the Company.

  Under the proposed Shareholders' Scheme, CAOHC will execute an accession deed whereby it will undertake to fulfil its obligations set out in the Shareholders' Scheme, subject to the Shareholders' Scheme being approved by the shareholders and sanctioned by the court.

Post- Restructuring Plan Shareholding Structure

Please refer to *Appendix 1* for the Post-Restructuring Plan shareholding structure of the Company.

V. <u>Shareholders' Agreement</u>

Pursuant to the Investment Agreement , CAOHC and BP have today entered into a shareholders' agreement ("**Shareholders' Agreement**") to govern their rights and obligations *vis-à-vis* each other as shareholders of the Company. The Shareholders' Agreement will take effect upon the completion of the Investment Agreement.

Under the Shareholders' Agreement, *inter alia*, the Board of Directors will consist of a maximum of 9 Directors (excluding alternate Directors), comprising 4 Directors nominated by CAOHC, 3 independent Directors, and 2 Directors nominated by BP, who shall serve in non-executive capacity.

In addition, neither party may sell, transfer, pledge, charge or otherwise dispose of any shares, or any legal or beneficial interest therein, without the prior written consent of the other party for a period of 5 years commencing from the completion date, subject to the occurrence of certain events prior to the expiry of such 5 years' period. Parties shall also procure that the Company does not undertake certain reserved matters.

VI. <u>Business Co-operation Agreement</u>

Pursuant to the Investment Agreement, the Company and BP's affiliate, BP Singapore Pte Ltd ("**BPS**"), have also today entered into a conditional business co-operation agreement ("**Business Co-operation Agreement**"), which takes effect on the completion of the Investment Agreement, whereby BPS will provide the Company with trading expertise and second staff to enhance the trading and risk management systems of the Company.

The Business Co-operation Agreement aims to strengthen the Company's capability in international procurement of aviation fuel and to ensure the secure supply of such aviation fuel to the Company on competitive terms for its onward sale and supply to buyers in the PRC. In connection therewith, BPS will advise and assist the Company in its tender process for the procurement of aviation fuel in the international market and also have the pre-emptive right to supply the necessary aviation fuel required by the Company on terms more favourable to the Company than those obtained by the Company in the tender process. BPS will further undertake to supply aviation fuel to meet possible shortfall in supply after the close of each tender on terms to be mutually agreed.

Under the Business Co-operation Agreement, BPS will also make available various training and risk management services where required by the Company.

VII. <u>Memorandum of Understanding</u>

Concurrently with the execution of the Investment Agreement, the Company has entered into a non-binding Memorandum of Understanding with CAOHC and BP in relation to the possible injection of their respective operating assets to be identified and mutually agreed, which may be synergistic and complementary to the Company's business, into the Company with a view to increasing its assets base, earning capacity and prospects, and thereby improving shareholders' value.

Under the Memorandum of Understanding, the parties shall in good faith negotiate and sign a term sheet setting out the key terms (including pricing and form of consideration) to be included in the definitive operating assets injection agreements prior to the extraordinary general meeting of shareholders to approve the Restructuring Plan ("**EGM**"), and to sign such definitive agreements as soon as reasonably practicable thereafter. The parties will further in good faith endeavour to ensure that completion of the operating assets injection will take place within 6 to 9 months from the completion of the Investment Agreement.

Shareholders should however note that discussions between the Company, CAOHC and BP on such assets injection remain preliminary and exploratory, and there is no certainty that it will take place as contemplated or at all.

VIII. <u>Conditions Precedent</u>

Completion of the issue and allotment of the CAOHC Investment Shares, BP Investment Shares and CAOHC Conversion Shares under the Investment Agreement is conditional upon, *inter alia*, the following conditions precedent being satisfied and/or fulfilled on or prior to completion:

(a) approval of shareholders at the EGM;

(b) approval by the State-Owned Assets Supervisory and Administrative Council of the PRC, the State Administration of Foreign Exchange of the PRC, the Ministry of Commerce of the PRC, the State Development Reform Commission of the PRC and other relevant PRC authorities to the transactions contemplated under the Restructuring Plan, and filings with the China Securities Regulatory Commission;

(c) approval-in-principle of the SGX-ST being obtained for the listing and quotation of the new shares to be issued by the Company pursuant to the Restructuring Plan, and (where applicable) the transactions contemplated thereunder;

(d) the Creditors' Scheme and Shareholders' Scheme becoming effective;

(e) the Business Co-operation Agreement, Shareholders' Agreement and Subscription Agreement remaining in full force and effect on the completion date;

(f) there having been no material change or development in relation to certain matters; and

(g) the approval of all other relevant regulatory authorities and bodies to the transactions contemplated under the Restructuring Plan.

Completion of the issue and allotment of the Subscription Shares under the Subscription Agreement is conditional upon, *inter alia*, the satisfaction and/or fulfilment of the aforesaid conditions precedent set out in the aforesaid sub-paragraphs (a), (b), (c), (d) and (g) on or prior to completion and the signing of the Shareholders' Agreement by CAOHC and BP, and such agreement remaining in full force and effect on the completion date.

Shareholders should note that completion of the issue and allotment of the CAOHC Investment Shares, BP Investment Shares, CAOHC Conversion Shares and Subscription Shares are inter-conditional. As such, each of CAOHC, BP and Aranda will subscribe for its shares under the Investment Agreement or Subscription Agreement (as the case may be) only if the other parties concurrently subscribe for their shares under these agreements.

IX. <u>Undertaking to Vote</u>

Under the Investment Agreement and Subscription Agreement, CAOHC has undertaken, to the extent that it is not prohibited from doing so, to vote in favour of the resolutions relating to the Restructuring Plan at the EGM and to vote in favour of the Shareholders' Scheme.

X. BP and Aranda as Investors

After the Creditors' Scheme had been sanctioned by the court, the Company commenced a competitive bid process for a suitable strategic investor. Several candidates were considered, out of which BP was selected. In choosing BP, the Company took into account several factors, including the qualitative attributes of BP, and the following:

(a) BP's reputation as a successful and innovative global energy company with rigorous governance standards. It is the top ranked global company in the 2005 Accountability Rating®, a corporate accountability rating of Fortune global 100® companies, which ranks global companies on stakeholder engagement, governance, business strategy, performance management, non-financial reporting and independent assurance.

(b) BP is a leading energy supply and trading enterprise which can provide suitable trading expertise, advice on setting up of robust risk management programs and systems to further the capabilities and market confidence in the Company in such areas.

(c) BP has the capability to ensure security of jet supply into the PRC, and has an established track record in the aviation fuel sector.

(d) The potential for BP, CAOHC and the Company to work together to identify and implement growth opportunities to support the Company's longer term business objectives and trading partnership.

Temasek was invited, and accepted the Company's invitation, to participate as a financial investor, and is taking up a 4.65% stake through its indirect wholly-owned subsidiary, Aranda. With its extensive global business network, Temasek's involvement may contribute to the future of the Company.

XI. Interests of Directors and Substantial Shareholders

CAOHC is the controlling shareholder of the Company, and is a party to the Investment Agreement and the Subscription Agreement.

Our Directors, namely Jia Changbin, Gu Yanfei, Li Yongji, Chen Kaibin, and Zhang Lianxi are, in view of their association with CAOHC, indirectly interested in the issue of the CAOHC Investment Shares and CAOHC Conversion Shares under the Investment Agreement.

Save as disclosed above, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Investment Agreement, Subscription Agreement or the Restructuring Plan.

XII. Circular to Shareholders

A circular containing further details of the Restructuring Plan and enclosing a notice of the EGM in connection therewith ("**Circular**") will be despatched to shareholders in due course.

XIII. Documents for Inspection

A copy each of the Investment Agreement, Subscription Agreement, Business Co-operation Agreement and Memorandum of Understanding will be made available for inspection upon request by shareholders at the Company's registered office at 8 Temasek Boulevard #31-02

Suntec Tower Three Singapore 038988, during normal business hours, from the date of despatch of the Circular up to and including the date of the EGM (to be announced).

XIV. Directors' Responsibility Statement

The Directors of the Company (including those who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and the opinion (if any) expressed are fair and accurate, and that no material facts have been omitted, and they jointly and severally accept responsibility accordingly.

By Order of the Board of Directors

5 December 2005

APPENDIX 2

ANNOUNCEMENTS OF THE COMPANY DATED 12 MAY 2005 AND 24 MAY 2005 IN RELATION TO THE CREDITORS' SCHEME

MEDIA RELEASE

CAO Unveils Significantly Improved Scheme of Arrangement

(Singapore, 12 May 2005) China Aviation Oil (Singapore) Corporation Ltd ("CAO" or the "Company") today unveiled a proposed final Scheme of Arrangement ("Scheme") to its creditors (the "Final Scheme"), which is a significant improvement compared to the previous Scheme that was announced on 24 January 2005 (the "Initial Scheme").

Following the release of the Initial Scheme, CAO has undertaken a detailed process of meeting and discussions with its creditors to obtain feedback and exchange ideas. CAO believes that the Final Scheme addresses the feedback received and results in a substantially higher recovery rate of US$275 million which represents an average recovery rate of about 54% for creditors.

The key elements of the Final Scheme in comparison with the Initial Scheme are set out in the table below;

	Initial Scheme	Final Scheme
Initial cash payment US$m	100	130
Deferred debt US$m	120	145
Overall recovery value US$m	220	275
Overall gross recovery %	41	54
Present Value %	36	52
Deferred debt repayment period	8 years	5 years

(The recovery values under the Final Scheme are based on participating creditors of US$510 million and the Present Value is based on a 5% discount rate and considers Interest payable at an assumed LIBOR rate of 2.8% per annum on the Deferred debt).

In addition to the substantial improvement in the overall recovery value for creditors set out above there are a number of other improvements and enhancements in the Final Scheme and further details of the terms are set out in the subsequent paragraphs.

Terms of Final Scheme

The principal terms of the Final Scheme comprise:

- A cash injection in the aggregate of up to US$130 million from China Aviation Oil Holding Company ("CAOHC") and a new investor (the "New Investor") into the Company by way of fresh equity into the Company on terms to be agreed between CAOHC, the New Investor and the Company.

- The recovery value of US$275 million comprises two main elements; an initial cash distribution of US$130 million on the effective date of the Final

Scheme and deferred debt of US$145 million repayable over a period of 5 years.

- The initial cash distribution of US$130 million includes an amount of US$100 million from the new equity and US$30 million in cash from the existing assets of the Company.

- The Deferred debt of US$145 million will be repaid over 5 years from the cash flows from the operations, dividends from the Company's investments, the sale of an investment and a refinancing exercise to be conducted on or before the maturity date of five years from the effective date of the Final Scheme ("the Refinancing Exercise"). In respect of the investment sale referred to above, CAO has determined that it will conduct a sale process to divest its 5% interest in Compania Logistica De Hidrocarburos SA ("CLH") and will apply the first US$60 million of proceeds to the repayment of the Deferred debt.

- Whilst the Deferred debt has increased from US$120 million to US$145 million, the repayment period has been reduced from 8 years to 5 years in the Final Scheme. This substantial improvement is as a result of CAO's commitment to sell CLH and undertake the Refinancing Exercise before the maturity of five years. CAO has also agreed to pay interest on the deferred debt at LIBOR rate. CAOHC has demonstrated its commitment and confidence in the repayment of the Deferred debt by undertaking to provide CAO with a guarantee over the repayment of the Deferred debt and agreeing to assist CAO in the refinancing exercise.

- In aggregate under the Final Scheme, creditors will benefit from CAO's plan to repay creditors US$198 million or 39% of their debts within 12 months from the effective date of the Final Scheme.

- In consideration for the Final Scheme, creditors will agree to the irrevocable waiver, release, discharge and extinguishment of all rights, interests and claims by the creditors in relation to the balance waived debt of the Company.

- It is also envisaged that creditors will be provided with an option to purchase (using their restructured debts) of up to 10% of the equity in the enlarged share capital of CAO on the same terms as the New Investors.

- The Final Scheme provides creditors with two repayment options (Option A and Option B) detailed as follows:

  <u>Option A</u>
  Option A provides creditors with the option of receiving a single immediate cash payment on the effective date of the Final Scheme, allowing creditors an immediate cash exit. Due to constraints on the cash available under the Final Scheme, a sum of up to US$45 million of the initial cash distribution of US$130 million has been set aside for payment of creditors whom choose this option. Creditors electing for Option A will receive a cash settlement at a fixed recovery rate of 45% of their debts ie US$0.45 to the dollar in full repayment of their debts. The total value of creditors that may participate in Option A is capped at US$100 million.

  In the event that Option A is over-subscribed (ie creditors representing more than US$100 million of debt choose Option A), creditors will participate in Option A on a pro-rata basis to the value of their debts with any claims in excess of US$100 million being transferred to Option B. Conversely if Option A is not fully subscribed (ie creditors representing less than US$100 million of debt choose Option A), there will be a corresponding increase in the value of creditors' debts which participate in

Option B and any unutilized cash arising due to the under-subscription on Option A will be utilised under Option B.

Option B

The balance of the creditors' debts that do not participate in Option A will participate in Option B under which restructuring of the creditors' debts will be restructured and repaid in the amount of US$230 million (excluding proceeds should Option A be undersubscribed) in two parts:-

1. An initial cash distribution of US$85 million (excluding proceeds should Option A be undersubscribed) payable on the effective date of the Final Scheme; and

2. The balance of US$145 million will be converted into Deferred debt repayable over a period of 5 years which will be repaid from the following sources;

    a. the cash flows from the operations of the Company,
    b. dividends from the Company's investments,
    c. the first US$60 million proceeds from the sale of CAO's 5% share in Compania Logistica De Hidrocarburos SA ("CLH");
    d. and a refinancing exercise at the maturity of the Deferred debt.
    e. In addition, CAO will service Interest at LIBOR rate on the Deferred debt.
    f. CAOHC has undertaken to provide a guarantee over the repayment of the Deferred debt and has agreed to assist CAO in the refinancing exercise at the maturity of the Deferred debt

CAOHC shall be treated like the other unsecured creditors of the Company in the Final Scheme with respect to its shareholder loan of US$118 million. However, as a gesture of goodwill, the CAOHC shareholder loan will not participate in the cash distribution and the Deferred debt but will be converted into equity in the Company.

The recoveries set out above are based on an assumed debt value of US$510 million (excluding the shareholder loan), which includes certain debts which are subject to dispute or of a contingent nature. The Company is presently conducting a “Proof of Debt” verification exercise to verify and conclude on the final debts that will participate in the Final Scheme. Any reduction in these debts will result in an improved recovery to creditors participating under the Option B.

It was previously announced that CAOHC had invited Temasek Holdings (Private) Limited to participate in the proposed fresh equity injection and discussions between the CAOHC and Temasek are still continuing. CAOHC and CAO are targeting to conclude these equity restructuring discussions during the course of July 2005.

Madam Gu Yanfei, Head of the Special Task Force appointed by the Board of Directors of CAO said: “Following the publication of the Initial Scheme, the Special Task Force and its advisors have undertaken a comprehensive process of discussions with the creditors, the potential New Investor and other appropriate parties to devise an improved and Final Scheme. The feedback of creditors has been carefully considered and evaluated and we urge creditors to vote for the Final Scheme, which offers a significantly higher recovery value than the Initial Scheme and other additional benefits. “

“CAO intends to call for a meeting of creditors shortly to meet with its obligation under the Order of Court dated 10 December 2004, to call a meeting of the creditors on or before 10 June 2005 for the purpose of voting on the Final

Scheme of Arrangement to preserve the Company as a viable going concern." Madam Gu added.

The Company would like to highlight that this Final Scheme is subject to the approval of the creditors, the shareholders of CAO, CAOHC and the relevant authorities, including but not limited to the State-Owned Assets Supervisory and Administrative Commission ("SASAC") in China and such other relevant regulatory bodies in the various jurisdictions.

In addition, the proposed equity restructuring of the Company's shares and the proposed fresh equity injection from CAOHC and the New Investor, are also subject to the approval of SASAC, CAOHC, the New Investor, the Singapore Exchange Securities Trading Limited, minority shareholders of the Company and other relevant regulatory bodies in the various jurisdictions.

The Company presently intends to convene the creditors meeting by 10th June 2005, for the creditors to consider and approve, the Final Scheme. The Company will in due course, send the Notice of the Creditors' Meeting, giving no less than 14 days notice, by post to the creditors and advertise the same in the English and Chinese language newspapers in Singapore. The Company will make further appropriate announcement of the details of the Final Scheme which will be contained in the accompanying documents to the Notice of Creditors' Meeting to be sent to creditors in due course.

End.

For media enquiries, please contact:
Mr Gerald Woon, Director, Cogent Communications Pte Ltd
Tel: 6323-1060
Mobile: 9694-8364
Email: woon@cogentcomms.com

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
FILES PROPOSED FINAL SCHEME OF ARRANGEMENT IN THE HIGH COURT AND ANNOUNCES CREDITORS' MEETING ON 8 JUNE 2005

(Singapore, 24 May 2005) China Aviation Oil (Singapore) Corporation Ltd ("the Company")

1. The Company is pleased to announce that after months of intensive work, it has finally filed its proposed Revised Scheme of Arrangement ("Revised Scheme") in the High Court of Singapore today.

2. Further, the Company has called for a Meeting of the Creditors of the Company to be held at The Suntec Singapore International Convention & Exhibition Centre, Level 2, Meeting Room 208-209, 1 Raffles Boulevard Suntec City, Singapore 039593 **on 8 June 2005 at 3:00 p.m.** for the purpose of considering and, if thought fit, approving the Revised Scheme proposed to be made pursuant to Section 210 of the Companies Act, Chapter 50 between (i) the Company and (ii) its Creditors.

3. The said Meeting is convened pursuant to the Order of the High Court dated 10 December 2004 made in Originating Summons No. 1539 of 2004/W.

4. The Scheme of Arrangement, the Explanatory Statement, and the Proxy Forms, required to be furnished pursuant to Section 211 of the Companies Act, Chapter 50 are incorporated in the printed document (the "Scheme Document"). Copies of the Scheme Document have been sent by courier to the Creditors. In the event that the copies of the Scheme Document are not received within three (3) working days of the advertisement of this Notice, any person entitled to attend the said Meeting can also obtain copies of the Scheme Document from the office of China Aviation Oil (Singapore) Corporation Ltd at 8 Temasek Boulevard #31-02 Suntec Tower Three, Singapore 038988 at any time between 9:00 a.m. and 5:00 p.m., from Monday to Friday (excluding Public Holidays) prior to the day appointed for the said Meeting. Persons who wish to obtain such Scheme Document are requested to call Mr Justin Lim at (65) 6334 8979 before attending at the said office of the Company.

5. The Revised Scheme will be subject to the approval by a majority in number representing three-fourths in value of the Creditors present and voting either in person or by proxy at the Meeting and the approval of the Court.

APPENDIX 3

POST-RESTRUCTURING PLAN SHARE CAPITAL STRUCTURE

	No. of Shares	% Shareholding[3]
CAOHC[1]	367,777,427	50.88
BP[2]	144,564,119	20.00
Aranda	33,611,158	4.65
Creditors	72,282,059	10.00
Minority Shareholders	104,585,833	14.47
Total	722,820,596	100.00

Notes:

(1) CAOHC's aggregate shareholding interest of 367,777,427 Shares in the Company, representing 50.88% of the Post-Restructuring Plan Share Capital, comprises:

(a) 116,121,600 Shares, arising from its existing Shares in the Company after the Share Consolidation;

(b) 2,709,843 new Shares, arising from the conversion of the balance dividend owing to it (after waiver); and

(c) 248,945,984 new Shares, arising from its cash subscription of US$75,770,000 (based on the Fixed Exchange Rate).

(2) This excludes Shares in the Company which BP's affiliates may, as Creditors of the Company, subscribe pursuant to the Creditors' Share Invitation.

(3) The percentages relating to shareholding interest is based on the assumption that the Creditors' Share Invitation is fully taken up and the Restructuring Plan is implemented in its entirety.

APPENDIX 4

(I) FY2004 FULL-YEAR AUDITED FINANCIAL STATEMENTS OF THE COMPANY (INCLUDING THE EXTRACT OF THE AUDITORS' REPORT DATED 5 DECEMBER 2005)

(II) FY2005 FIRST, SECOND AND THIRD QUARTERLY UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
Registration No. 199303293Z

Full Year Financial Statement And Dividend Announcement For The Period Ended 31 December 2004

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

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

Consolidated Profit and Loss Accounts for full year period ended 31 December 2004

	Group		
	2004	**2003**	**inc/(decr)**
	S$'000	S$'000	S$'000
Revenue	3,082,676	2,398,769	683,907
Cost of Revenue	(3,041,122)	(2,378,983)	662,139
Gross Profit	**41,554**	**19,786**	21,768
(Loss)/gain on derivatives trading	(884,750)	26,323	(911,073)
Other operating income	32,546	15,243	17,303
Distribution costs	(651)	(883)	(232)
Administration costs	(845)	(721)	124
Other operating costs	(77,147)	(22,406)	54,741
Profit from operating activities	**(889,293)**	**37,342**	(926,635)
Finance costs	(10,931)	(4,717)	6,214
Share of result of associated company	46,920	34,472	12,448
(Loss)/profit Before Taxation	**(853,304)**	**67,097**	(920,401)
Tax expenses	(11,653)	(12,827)	(1,174)
Net (loss)/profit after tax	(864,957)	54,270	919,227
Minority Interest	92	0	92
Net (loss)/profit After Tax	**(864,865)**	**54,270**	(919,135)

Note 1:
Profit from operating activities is derived after charging the following items:-

Interest on borrowing	5,971	854	5,117
Depreciation and amortization	953	2,980	(2,027)
FX loss/(gain)	(17,450)	(918)	16,532

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.

	Group			Company		
	As at 31-Dec-04 S$'000	As at 31-Dec-03 S$'000	incr/(decr) S$'000	As at 31-Dec-04 S$'000	As at 31-Dec-03 S$'000	incr/(decr) S$'000
Non Current Asset						
Fixed Assets	15,232	17,844	(2,612)	10,470	17,553	(7,083)
Subsidiary company	0	0	0	8,673	722	7,951
Associated company	100,732	91,206	9,526	60,827	60,827	0
Investment	112,914	110,251	2,663	112,914	110,251	2,663
	228,878	219,301	9,577	192,884	189,353	3,531
Current Assets						
Inventory	0	4,232	(4,232)	0	4,172	(4,172)
Trade Debtors	12,191	198,983	(186,792)	12,095	198,808	(186,713)
Other Debtors, deposits and prepayments	6,886	37,484	(30,598)	6,392	37,169	(30,777)
Amount due from Holding Company	1,126	31,051	(29,925)	932	31,051	(30,119)
Amounts due from associated companies	28,187	0	28,187	28,187	0	28,187
Amount due from Related Company	349	37,740	(37,391)	293	37,682	(37,389)
Amounts due from minority shareholders of a subsidiary	1,802	0	1,802	0	0	0
Loan receivable	1,985	0	1,985	0	0	0
Fixed deposits	31	57,764	(57,733)	0	57,733	(57,733)
Cash on hand and at bank	29,213	10,989	18,224	27,535	10,785	16,750
	81,770	378,243	(296,473)	75,434	377,400	(301,966)
Current Liabilities						
Interest-bearing loans and borrowings	368,182	29,640	338,542	368,182	29,640	338,542
Trade Creditors	337,024	216,016	121,008	336,982	215,845	121,137
Accrued staff costs	5,906	7,154	(1,248)	5,878	7,127	(1,249)
Other creditors and accruals	59,450	36,404	23,046	59,245	36,172	23,073
Amount due to Holding Company	200,012	0	200,012	199,995	0	199,995
Amount due to Related Company	0	78,246	(78,246)	0	78,246	(78,246)
Amount due to Subsidiary Company	0	0	0	17	340	(323)
Amount due to minority interest	585	0	585	0	0	0
Provision for taxation	2,918	4,760	(1,842)	2,882	4,757	(1,875)
	974,077	372,220	601,857	973,181	372,127	601,054
Net Current (Liability) / Asset	(892,307)	6,023	(898,330)	(897,747)	5,273	(903,020)
Non Current Liabilities						
Deferred tax	0	(82)	82	0	(82)	82
Total Net Assets	(663,429)	225,242	(888,671)	(704,863)	194,544	(899,407)
Capital and reserves						
Share capital	48,384	34,560	13,824	48,384	34,560	13,824
Share premium	50,153	63,977	(13,824)	50,153	63,977	(13,824)
Accumulated (losses) / profits	(762,352)	102,513	(864,865)	(803,400)	71,815	(875,215)
Dividend reserve	0	24,192	(24,192)	0	24,192	(24,192)
Foreign Currency Translation Reserve	(1,506)	0	(1,506)	0	0	0
	(665,321)	225,242	(890,563)	(704,863)	194,544	(899,407)
Minority Interest	1,892	0	1,892	0	0	0
Equity and Minority Interest	(663,429)	225,242	(888,671)	(704,863)	194,544	(899,407)

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

Amount repayable in one year or less, or on demand

As at 31-Dec-04		As at 31-Dec-03	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
0	368,182	0	29,640

Amount repayable after one year

As at 31-Dec-04		As at 31-Dec-03	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
0	0	0	0

Details of any collateral:

Mainly trust receipts including the US$152 million syndicated loan.

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

	Group	
	2004	2003
	S$'000	S$'000
Cash flow from operating activities		
Profit before taxation	(853,304)	67,097
Adjustments for:		
Depreciation of fixed assets	953	753
Provision for impairment of property, plant ad equipment	6,397	0
Provision for realisable value of property, plant and equipment	150	0
Amortization of Goodwill	0	2,227
Provision for impairment of investment	68	0
Write-back of provision for doubtful debts	(3,384)	0
Interest expenses	5,971	854
Interest income	(2,630)	(1,179)
Share of profit of associated company	(46,920)	(34,472)
Dividend Income	(9,464)	(13,091)
Operating profit before reinvestment in working capital	(902,163)	22,189
(Increase)/decrease in Inventory	4,232	6,316
(Increase)/decrease in trade debtors	190,176	(91,865)
(Increase)/decrease in other debtors, deposits and prepayments	30,598	6,227
(Increase)/decrease in amount due from Holding Company	29,925	(31,051)
(Increase)/decrease in amount due from associated company	(28,187)	0
(Increase)/decrease in amount due from related companies	37,391	(37,448)
(Increase)/decrease in amount due to minority shareholders of a subsidiary company	(1,802)	0
Increase/(decrease) in amounts due to minority interest	585	0
Increase/(decrease) in trade creditors	121,008	129,605
Increase/(decrease) in accrued staff costs	(1,248)	818
Increase/(decrease) in other creditors and accruals	23,046	(8,101)
Increase/(decrease) in amount due to Holding Company	200,012	(78,246)
Increase/(decrease) in amount due to Related Company	(78,246)	78,246
Cash generated from operations	(374,673)	(3,310)
Income tax paid	(6,665)	(5,386)
Interest received	2,630	1,179
Interest paid	(5,971)	(854)
Translation differences	(129)	0
Net cash from operating activities	(384,808)	(8,371)
Cash flow from investing activities		
Proceeds from contribution by minority shareholders	1,985	0
Purchase of fixed assets	(5,036)	(839)
Expenses on acquisition of associated company	0	(63)
Additions in Investment	(2,731)	(923)
Dividend income	38,716	43,837
Net cash used in investing activities	32,934	42,012
Cash flow from financing activities		
Increase in Loan Receivable	(1,985)	0
Increase in interest-bearing loans and borrowings	313,357	(12,035)
Dividend paid on ordinary shares	(24,192)	(5,760)
Net cash generated from financing activities	287,180	(17,795)
Net increase in cash and cash equivalents	(64,694)	15,846
Cash and cash equivalents at beginning of year	68,753	52,907
Cash and cash equivalent at end of year	4,059	68,753

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Company	
	2004	2003	2004	2003
	S$'000	S$'000	S$'000	S$'000
Issued Share Capital				
Balance at beginning of year	34,560	28,800	34,560	28,800
Bonus issue of ordinary shares	13,824	5,760	13,824	5,760
Balance at end of year	48,384	34,560	48,384	34,560
Share Premium				
Balance at beginning of year	63,977	69,737	63,977	69,737
Amount capitalised for issue of bonus shares	(13,824)	(5,760)	(13,824)	(5,760)
Balance at end of year	50,153	63,977	50,153	63,977
Foreign Currency Translation Reserve				
Balance at beginning of year	0	0	0	0
Movement for the year	(1,506)	0	0	0
Balance at end of year	(1,506)	0	0	0
Accumulated Profits				
Balance at beginning of year	102,513	72,435	71,815	56,045
Net (Loss)/ Profit for the year	(864,865)	54,270	(875,215)	39,962
Dividend	0	(24,192)	0	(24,192)
Balance at end of year	(762,352)	102,513	(803,400)	71,815
Dividend Reserve				
Balance at beginning of year	24,192	5,760	24,192	5,760
Final dividends paid	(24,192)	(5,760)	(24,192)	(5,760)
Dividend proposed	0	24,192	0	24,192
Balance at end of year	0	24,192	0	24,192
Total Equity & Reserves	(665,321)	225,242	(704,863)	194,544

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.

	Number of Shares	**Amount ($'000)**
Ordinary Shares as at 1 Jan 2004	691,199,999	34,560
Bonus Shares 2 for every 5	276,479,993	13,824
Balance as at 30 June 2004	967,679,992	48,384

During the financial period ended 30 June 2004, the Company issued 276,479,993 Bonus Shares on the basis of two (2) Bonus Shares for every five (5) existing Shares held as at Book Closure Date, 10 May 2004.
The Bonus Issue was effected by capitalising S$13,824K from the share premium account of the Company and applied it in making payment in full for the Bonus Shares which were allotted and issued to Shareholders.

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

The figures for year ended 31 December 2004 have been audited by our auditors, Ernst & Young, in accordance with the Singapore Standards on Auditing. Please refer to attached Auditors' Report.

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

Please refer to attached Auditors' Report.

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

FRS 103 "Business Combinations", revised FRS 36 "Impairment of Assets" and FRS 38 "Intangible Assets"

The Group has elected for early adoption of these financial reporting standards, which has resulted in the Group ceasing annual goodwill amortization and to test for impairment annually at the cash generating unit level from 1 January 2004.

Except for the above change in accounting policy, the Group has applied the same accounting policies and methods of computations in the financial statements for the current year compared with the audited financial statements as at 31 December 2003.

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.

Had there not been a change in accounting policy as highlighted above, the net loss attributable to shareholders for the financial year ended 31 December 2004 would have increased by approximately $2 million, being the goodwill amortization that would have been charged to the profit and loss account.

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.

	Group	
	As at 31-Dec-04	As at 31-Dec-03 (restated)
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	(89.4) cents	5.6 cents
(b) On a fully diluted basis	(89.4) cents	5.6 cents
(To disclose the basis used in arriving at the weighted average number of shares (‘000) for the purposes of (a) above and to provide details of any adjustments made for the purpose of (b) above)	967,680	967,680

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.

	Group		Company	
Net asset value per ordinary share based on issued share capital at the end of the period reported on	31-Dec-04	31-Dec-03 (restated)	31-Dec-04	31-Dec-03 (restated)
	(68.6) cents	23.3 cents	(72.8) cents	20.1 cents
Number of Ordinary Shares issued (‘000)	967,680	967,680	967,680	967,680

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
(b) 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.

The Group incurred a net loss of S$864.8 million for the year 2004 compared to a net profit after tax of S$54.2 million for the year 2003, representing a sharp decline of 1,693.6%.

As announced on 29 November 2004, the poor performance was mainly attributable to the massive losses suffered by the Company from its speculative oil derivatives trading activities. The net loss on derivatives trading of S$884.75 million included net losses on the trading of options of S$894.5 million and net gains on the trading of other derivatives of S$9.7 million. A Special Task Force was appointed to stem the losses and implement immediate measures to rescue the Company from its financial difficulties. The Group ceased derivative trading on 30 November 2004 and appointed professional financial and legal advisers to assist in the Company's debt restructuring exercise. On 26 November 2005, the Company filed an application in the High Court of Singapore to effect a Scheme of Arrangement under Section 210 of the Companies Act (Cap. 50). The Company's proposed Scheme of Arrangement received overwhelming support from its creditors during the creditors' meeting on 8 June 2005 and was sanctioned by the High Court of Singapore on 13 June 2005.

Revenue for the year 2004 was S$3.08 billion, reflecting an increase of nearly 28.4% compared with year 2003, largely contributed by the increase in volume of jet fuel traded in all four consecutive quarters coupled by the continual oil prices increase over the same period. Modest growth and contributions on the physical products from international trading led to the improved gross profit of S$41.5 million for year 2004 compared to S$19.8 million for year 2003.

The Group also reported an unrealised foreign exchange gain of S$17 million, arising from the favourable exchange rate movements in November (US$1=S$1.6630) and year-end rate 2004 (US$1=S$1.6410), in respect of the creditors (transacted in US$), including syndicated loans.

Interest income also grew by 123% in 2004 compared with 2003. Excess cash balance above the working capital requirements coupled with the availability of the US$152 million syndicated loan that was drawdown in June 2004 contributed to the increase in interest income from S$1.2 million in 2003 to S$2.6 million in 2004. However, there was also the corresponding increase in interest payment to service the syndicated loan, from S$1million in 2003 to approximately S$6 million in 2004.

In 4Q 2004, the company received the second distribution of net dividend income of S$7.2 million from the investment stake in CLH, aggregating to approximately S$9.5 m for the year 2004. This represented a S$3.6 million (approximately 27.7%) decline compared to year 2003 when there were a total of 3 dividend receipts. There was an additional dividend receipt (approximately Euros 2.5 million) in FY 2003 pertaining to the financial period of 2002, compared to the usual dividend distributions receivable twice yearly, as evidenced in FY 2004.

A major component of the Operating costs in 4Q 2004 was an admission of S$45.9 million as final settlement for Satya Capital's claims against the Company and China Aviation Oil Holding Company, resulting from the termination of a share purchase agreement in respect of the acquisition of 88,000,000 shares in Singapore Petroleum Company Limited. The Company has reported the gross amount of the outstanding claims by Satya as at December 2004. Subject to the successful completion of the equity/shareholders restructuring exercise in 2006, there will be a credit adjustment (representing the discount) arising from the approved creditors scheme of arrangement in June 2005. A proportionate share of the Professional fees paid to Financial Advisers, Legal Advisers and Special Investigative Accountant (PWC), amounting to approximately S$1.5 million was accrued for the year ended 31 Dec 2004. The balances are to be recognised in FY 2005 respectively.

In 4Q 2004, based on an assessment report by an accredited independent valuer (Colliers International Consultancy & Valuation (Singapore) Pte Ltd) engaged by the Company, the fair value of the 2 owned leasehold properties at the office premise (8 Temasek Boulevard, #31-02 Suntec Tower Three, Singapore 038988) was adjusted downwards, resulting in an impairment cost of S$6.4 million.

The Group's share of results before tax from its associated company, Shanghai Pudong's increased from S$34.5 million in 2003 to S$46.9 million, an increase of nearly 36.1% on a year-on-year comparison.

Despite the significant accounting losses incurred by the Group in year 2004, the Group is still liable for tax expense reflecting under-provision of tax in prior years, withholding tax and share of tax of associated company.

There was a write-back of provision for doubtful debt, which amounted to S$3.4 million, as the Company considers the general provision as no longer relevant since all the outstanding receivables were either recovered or adequate provisions being applied to the specific debts written off.

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

a. No variance with respect to physical trading of jet fuel.

b. Forced closure of options portfolio from oil derivatives resulting in significant trading losses by end of 2004.

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.

As at December 2004, the Group and Company were in a net shareholders' deficit position of approximately S$663 million and S$705 million respectively.

The Company had announced on 24 May 2005 a proposed Scheme of Arrangement ("the Scheme") with its creditors to restructure its liabilities and to ensure the rehabilitation of the Company as a going concern. Although the Scheme had been approved by the requisite majority of the creditors on 8 June 2005 and sanctioned by the Court on 13 June 2005, it is conditional upon certain conditions being met including approvals required from the various authorities as detailed below:

a. Ability to seek out new investors who will participate with the Group's immediate holding company – China Aviation Oil Holding Company ("CAOHC") in the fresh equity injection for the purpose of the cash injection as required under the Scheme;
b. Approval by Shareholders at an extraordinary general meeting to be convened to approve the transactions;
c. Approval by the People Republic of China ("PRC") State-Owned Assets Supervisory and Administrative Council and other relevant PRC authorities to this Scheme;
d. Approval in-principle of the SGX-ST for the listing and quotation of the New Shares as part of the equity restructuring exercise to be determined by the Company, CAOHC and the new investors.

The ability of the Group and Company to meet its financial obligations to continue as going concerns depend on the approval of the Scheme by its shareholders and the relevant authorities as well as the Group generating sufficient positive cash flows from its operations following the restructuring exercise.

11 Dividend

(a) Current financial period reported on

There is no dividend paid or declared for the current financial year.

(b) Corresponding period of the immediately preceding financial year

Name of Dividend: First & Final
Dividend Type: Cash
Dividend Amount
Per share (in cents): S$0.035 cents per ordinary share (tax exempt)
Optional: Dividend
Rate (in %): Not Applicable
Par Value of shares: S$0.05
Tax Rate: Tax-exempt

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.

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

The directors do not recommend payment of a dividend for the current financial year.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

13. Segment revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative restated information for the immediately preceding year.

	Clean Petroleum Products		Black Petroleum Products		Crude Oil		Petrochemical Products		Others		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Sales to external customers												
Inter-segment Sales	2,262,471	1,432,703	268,731	540,638	410,061	388,848	135,986	34,840	5,427	1,740	3,082,676	2,398,769
Total revenue	2,262,471	1,432,703	268,731	540,638	410,061	388,848	135,986	34,840	5.427	1,740	3,082,676	2,398,769
Segment result	2,262,471	1,432,703	268,731	540,638	410,061	388,848	135,986	34,840	5,427	1,740	3,082,676	2,398,769
Operating profit											41,554	19,786
(Loss)/ gain on derivatives trading											(884,750)	26,323
Exceptional items											-	-
Finance Costs											(10,931)	(4,717)
Share of results of associated company											46,920	34,472
Profit before tax											(853,304)	67,097
Tax expense											(11,653)	(12,827)
Net Profit											(864,957)	54,270
Business segments												
Segment assets											209,916	506,338
Investment in associated company											100,732	91,206
Total assets											310,648	597,544
Segment liabilities											971,159	367,460
Total Liabilities											971,159	367,460

	People's Republic of China		Other Region*		Total	
Segment revenue:	2004 S$'000	2003 S$'000	2004 S$'000	2003 S$'000	2004 S$'000	2003 S$'000
Sales to external customers	2,081,803	1,558,953	1,000,873	839,816	3,082,676	2,398,769
Other geographical information:						
Segment assets	110,845	91,206	199,803	506,338	310,648	597,544
Capital expenditure	4,690	0	346	839	5,036	839

* Other region mainly comprise Singapore, Malaysia, Indonesia, South Korea and Vietnam.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to commentary in section 10.

15. A breakdown of sales as follows:

	Group		% Incr/(decr)
	2004 S$000	2003 S$'000	
Sales reported for first half year	1,313,541	1,196,834	9.8
Operating profit/(loss) after tax before deducting minority interests reported for first half year	32,932	29,392	12.0
Sales reported for second half year	1,769,135	1,201,935	47.2
Operating profit/(loss) after tax before deducting minority interests reported for second half year	(897,889)	24,878	(3,709.2)

16. A breakdown of the total annual dividend (in dollar value) for the issuer's most latest full year and its previous full year as follows: (a) ordinary, (b) preference and (c) total.

	Latest Full Year 2004 S$'000	Latest Full Year 2003 S$'000
Ordinary	0	24,192
Preference	0	0
Total:	0	24,192

17. Interested Person Transactions

Aggregate value of interested person transactions entered from January to December 2004

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$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 S$100,000)
	S$'000	S$'000
Sale of physical fuel to Parent Group	0	1,697,793

BY ORDER OF THE BOARD

Adrian Chang
Company Secretary
5 December 2005

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 subsidiary companies (collectively "the Group") set out on pages 7 to 50 for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Directors.

Except as discussed in the following paragraphs, we conducted our audit in accordance with Singapore Standards on Auditing. Those Standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

CAD investigation

As announced on 29 November 2004, the Company incurred significant losses from speculative trading in oil derivatives. The significant derivative trading losses and related circumstances had led to an investigation by the Commercial Affairs Department ("CAD"). As at the date of this report, the CAD's investigation has not been completed. The Board of Directors are of the view that the outcome of the investigation would not require adjustments to be made to the financial statements. As at the date of this report, we are unable to conclude whether any adjustments might be required to be made to the financial statements arising from this investigation.

Scheme of Arrangement and going concern

The Group incurred a net loss of $865 million for the year ended 31 December 2004. As at 31 December 2004, the Group and Company were in a net shareholders' deficit position of $663 million and $705 million respectively. These factors, together with the matters described below, indicate that there is material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as going concerns.

As explained in Notes 1(b) and 2(a) to the financial statements, the Company announced on 24 May 2005 a proposed Scheme of Arrangement ("the Scheme") with its creditors to restructure its liabilities and to ensure the rehabilitation of the Company as a going concern. Although the Scheme was approved by the requisite majority of the creditors on 8 June 2005 and sanctioned by the Court on 13 June 2005, it is conditional upon certain conditions being met or waived (where applicable) as detailed in Note 1(b) to the financial statements.

The execution of the Scheme of Arrangement is dependent, inter alia, on the participation of new investors with the Group's immediate holding company, China Aviation Oil Holding Company ("CAOHC"), in the fresh equity injection for the purpose of cash injection as required by the Scheme and the approval required from the various authorities as detailed in Note 1(b) to the financial statements.

The ability of the Group and Company to meet their financial obligations to continue as going concerns depend on the approval of the Scheme by the Company's shareholders as well as the Group generating sufficient positive cash flows from its operations following the restructuring exercise.

Scheme of Arrangement and going concern (cont'd)

If the Group and the Company are unable to continue in operational existence for the foreseeable future, they may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify long-term assets and liabilities as current assets and liabilities. No such adjustments have been made to the financial statements.

Impairment assessment

The auditors of China Aviation Oil Xinyuan Petrochemical Co. Ltd ("CAO Xinyuan"), a subsidiary of the Company, were unable to obtain sufficient financial information they considered necessary for the purpose of ascertaining whether a provision for impairment loss is necessary in respect of the oil storage properties held by CAO Xinyuan. Consequently, we are unable to ascertain the appropriateness of the carrying value of the oil storage properties of $4,565,500 (see Note 10) in the consolidated balance sheet and the consequent effect on the consolidated profit and loss account of the year ended 31 December 2004. We are also unable to determine the appropriateness of the carrying value of the investment in CAO Xinyuan of $8,220,795 (see Note 11) held by the Company.

Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of the matters referred to in the preceding paragraphs :

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of :

    (i) the state of affairs of the Company and of the Group as at 31 December 2004 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

    (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements;

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

Ernst & Young

ERNST & YOUNG
Certified Public Accountants

Singapore
5 December 2005

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
Registration No. 199303293Z
First Quarter Financial Statement For The Period Ended 31 March 2005

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.

	Group		
	Jan-Mar 05	Jan-Mar 04	inc/(decr)
		Restated **	
	S$'000	S$'000	S$'000
Revenue	3,079	580,219	(577,140)
Cost of revenue	0	(568,777)	568,777
Gross profit	**3,079**	**11,442**	**(8,363)**
(Loss)/gain on derivatives trading	0	(21,655)	21,655
Other operating income	4,941	404	4,537
Distribution costs	(9)	(182)	173
Administration costs	(74)	(159)	85
Other operating costs	(5,396)	(6,223)	827
Profit from operating activities	**2,541**	**(16,373)**	**18,914**
Finance costs	(457)	(1,232)	775
Share of result of associated company	10,764	11,172	(408)
(Loss)/profit before taxation	**12,848**	**(6,433)**	**19,281**
Tax expenses	(1,615)	(2,768)	1,153
Net (loss)/profit after tax	11,233	(9,201)	20,434
Minority interest	11	0	11
Net (loss)/profit after tax	**11,244**	**(9,201)**	20,445

Note 1:
Profit from operating activities is derived after charging the following items:-

Interest on borrowing	0	185	(185)
Depreciation and amortization	231	598	(367)
FX loss/(gain)	(4,037)	(179)	3,858

** the Company has restated the 1Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

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.

	Group			Company		
	As at Mar 05	As at Dec 04	incr/(decr)	As at Mar 05	As at Dec 04	incr/(decr)
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Non-current assets						
Property, plant and equipment	15,127	15,232	(105)	10,257	10,470	(213)
Subsidiary companies	0	0	0	8,855	8,673	182
Associated company	109,845	100,732	9,113	60,827	60,827	0
Other investment	112,914	112,914	0	112,914	112,914	0
	237,886	228,878	9,008	192,853	192,884	(31)
Current assets						
Trade receivables	3,615	12,191	(8,576)	491	12,095	(11,604)
Other receivables, deposits and prepayments	2,159	6,886	(4,727)	43	6,392	(6,349)
Amount due from holding company	1,171	1,126	45	927	932	(5)
Amounts due from associated company	28,045	28,187	(142)	28,045	28,187	(142)
Amount due from related companies	211	349	(138)	154	293	(139)
Amounts due from minority shareholders of a subsidiary	0	1,802	(1,802)	0	0	0
Loan receivable	0	1,985	(1,985)	0	0	0
Fixed deposits	0	31	(31)	0	0	0
Cash on hand and at bank	41,132	29,213	11,919	37,684	27,535	10,149
	76,333	81,770	(5,437)	67,344	75,434	(8,090)
Current liabilities						
Interest-bearing loans and borrowings	365,095	368,182	(3,087)	365,095	368,182	(3,087)
Trade payables	334,777	337,024	(2,247)	334,733	336,982	(2,249)
Accrued staff costs	5,440	5,906	(466)	5,418	5,878	(460)
Other payables and accruals	59,239	59,450	(211)	58,672	59,245	(573)
Amount due to holding company	199,106	200,012	(906)	199,106	199,995	(889)
Amount due to subsidiary company	0	0	0	17	17	0
Amount due to minority interest	0	585	(585)	0	0	0
Provision for taxation	2,842	2,918	(76)	2,811	2,882	(71)
	966,499	974,077	(7,578)	965,852	973,181	(7,329)
Net current asset/(liabilities)	(890,166)	(892,307)	2,141	(898,508)	(897,747)	(761)
Net Assets/(Liabilities)	(652,280)	(663,429)	11,149	(705,655)	(704,863)	(792)
Equity						
Share capital	48,384	48,384	0	48,384	48,384	0
Share premium	50,153	50,153	0	50,153	50,153	0
Accumulated profits/(losses)	(751,108)	(762,352)	11,244	(804,192)	(803,400)	(792)
Foreign currency translation reserve	(1,581)	(1,506)	(75)	0	0	0
	(654,152)	(665,321)	11,169	(705,655)	(704,863)	(792)
Minority interest	1,872	1,892	(20)	0	0	0
Equity and Minority Interest	(652,280)	(663,429)	11,149	(705,655)	(704,863)	(792)

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

Amount repayable in one year or less, or on demand

As at Mar 05		As at Dec 04	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
0	365,095	0	368,182

Amount repayable after one year

As at Mar 05		As at Dec 04	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
0	0	0	0

Details of any collateral:

Mainly trust receipts including the US$152 million syndicated loan.

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

	Group	
	Jan-Mar 05	Jan-Mar 04 Restated **
	S$'000	S$'000
Cash flows from operating activities :		
Profit/(loss) before taxation	12,848	(6,433)
Adjustments for:		
Depreciation of property, plant and equipment	231	230
Provision for realisable value of property, plant and equipment	(150)	0
Amortization of goodwill arising on acquisition	0	368
Interest expenses	0	185
Interest income	(14)	(220)
Share of profit of associated company	(10,764)	(11,172)
Operating profit/(loss) before working capital changes	2,151	(17,042)
(Increase)/decrease in inventories	0	4,214
(Increase)/decrease in trade receivables	8,576	139,837
(Increase)/decrease in other receivables, deposits and prepayments	4,727	1,142
(Increase)/decrease in amount due from holding company	(45)	(7)
(Increase)/decrease in amount due from associated company	142	0
(Increase)/decrease in amount due from related companies	138	(337)
(Increase)/decrease in amount due to minority shareholders of a subsidiary company	1,802	0
Increase/(decrease) in amounts due to minority interest	(585)	0
Increase/(decrease) in trade payables	(2,247)	(93,268)
Increase/(decrease) in accrued staff costs	(466)	(1,341)
Increase/(decrease) in other payables and accruals	(211)	(16,739)
Increase/(decrease) in amount due to holding company	(906)	0
Cash used in operations	13,076	16,459
Income tax paid	(76)	(8)
Interest received	14	220
Interest paid	0	(185)
Translation differences	(14)	0
Net cash flows used in operating activities	13,000	16,486
Cash flows from investing activities		
Purchase of property, plant and equipment	(1)	(91)
Net cash flows from investing activities	(1)	(91)
Cash flows from financing activities		
Increase in loan receivable	1,985	0
Increase/(decrease) in interest-bearing loans and borrowings	(1,677)	1,208
Net cash flows generated from/(used in) financing activities	308	1,208
Net effect of exchange rate changes in consolidating subsidiaries	(9)	0
Net increase/(decrease) in cash and cash equivalents	13,298	17,603
Cash and cash equivalents at beginning of period	4,059	68,753
Cash and cash equivalent at end of period	17,357	86,356

** the Company has restated the 1Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Company	
	Jan-Mar 05	Jan-Mar 04 Restated **	Jan-Mar 05	Jan-Mar 04 Restated **
	S$'000	S$'000	S$'000	S$'000
Share capital				
Balance at beginning of period	48,384	34,560	48,384	34,560
Balance at end of period	48,384	34,560	48,384	34,560
Share premium				
Balance at beginning of period	50,153	63,977	50,153	63,977
Balance at end of period	50,153	63,977	50,153	63,977
Foreign currency translation reserve				
Balance at beginning of period	(1,506)	-	-	-
Movement for the period	(75)	-	-	-
Balance at end of period	(1,581)	-	-	-
Accumulated profits/(losses)				
Balance at beginning of period	(762,352)	102,513	(803,400)	71,815
Profit/(loss) for the period	11,244	(9,201)	(792)	(18,421)
Balance at end of period	(751,108)	93,312	(804,192)	53,394
Dividend reserve				
Balance at beginning of period	-	24,192	-	24,192
Balance at end of period	-	24,192	-	24,192
Total Equity and Reserves	(654,152)	216,041	(705,655)	176,123

** the Company has restated the 1Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

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.

There was no change in the Company's issued share capital for the 3 months ended 31 March 2005

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

The figures have not been audited or reviewed by our auditors.

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.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2004.

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.

Not applicable.

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.

	Group	
	As at Mar 05	As at Mar 04 Restated **
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	1.2 cents	(1.0) cents
(b) On a fully diluted basis	1.2 cents	(1.0) cents
(To disclose the basis used in arriving at the weighted average number of shares ('000) for the purposes of (a) above and to provide details of any adjustments made for the purpose of (b) above)	967,680	967,680

** the Company has restated the 1Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

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.

	Group		**Company**	
Net asset value per ordinary share based on issued share capital at the end of the period reported on	Mar 05	Dec 04	Mar 05	Dec 04
	(67.4) cents	(68.6) cents	(72.9) cents	(72.8) cents
Number of Ordinary Shares issued ('000)	967,680	967,680	967,680	967,680

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.

The primary source of revenue in 1Q 2005, which is likely to continue throughout the rest of the year 2005, is through commissions earned by CAO's wholly owned subsidiary, CAOT Pte Ltd ("CAOT) for carrying out the business of jet fuel procurement on an agency basis.

CAOT will receive income from the agency commissions to be chargeable on the sale of the jet fuel to the buyers. As such, there will be no incidental expenses such as shipment costs, insurance premiums or demurrage charges with the exception of back-office support staff arising from such agency disposition. This short-term business model is in sharp contrast to the full-scale order fulfillment services as provided by the Company to the end users prior to the current business restructuring exercise.

The Special Task Force, responsible for the Company's current corporate restructuring efforts, recognizes that it is in the interest of the Company to carry on the core business of jet fuel procurement. Hence CAOT was incorporated on 6 December 2004 with this sole purpose to ensure the continuity of the jet fuel procurement business during this corporate restructuring phase.

In 1Q 2004, revenue included contributions from international oil trading, which has ceased activity since end November 2004.

A major component of the other operating income comprised of unrealised foreign exchange translation gains arising from having substantial current liabilities (largely creditors, including bank loans) denominated in US dollars. These outstanding balances, in excess of US$500 million, which on translation into Singapore dollars as of March 2005 compared to December 2004, resulted in unrealised exchange gains exceeding S$4million. Between these two intervening Balance Sheet dates, US dollars weakened against the SGD dollars.

Professional fees (approximately S$3.3 million) relating to legal and financial advisers including the engagement services of special investigative accountant (PricewaterhouseCoopers) for their respective involvements with the corporate restructuring efforts were accounted for in the other operating costs. Other operating costs include staff costs and related IT proprietary systems supporting the jet fuel activities.
In 1Q 2004, nearly S$1.6 million was payment for the arranger/legal fees pertaining to the US$152 million syndicated loan.

The finance costs comprised mainly of interest charges servicing the US$152 million syndicated loan and bank overdrafts. The reduced scope of business activities in 1Q 05 compared to the same period in 2004 resulted in the significant reduction of finance charges as observed in this period.

The Company's 33% share of the results of associated company, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong") contributed approximately 84% (nearly S$11million) to the Group's net profit before tax in 1Q 05 compared to approximately 59% for 1Q 04.
About S$28 million (RMB 142 million) of dividends distribution due to the Company from Pudong, remained outstanding as of 1Q 05. This is currently reflected in the Balance Sheet as amounts due from associated companies.

In 1Q 05, the Minority Interest in the Group's balance sheet represents the 20% stake held by the other joint venture party in the Company's subsidiary, China Aviation Oil Xinyuan Petrochemical Co. Ltd ("CAO Xinyuan"), an oil tanks storage facility located in Guangzhou, China.

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

No variance from previous statement

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.

As at 1Q 2005, the Group and Company were in a net shareholders' deficit position of approximately S$652 million and S$705 million respectively.

The Company had announced on 24 May 2005 a proposed Scheme of Arrangement ("the Scheme") with its creditors to restructure its liabilities and to ensure the rehabilitation of the Company as a going concern. Although the Scheme had been approved by the requisite majority of the creditors on 8 June 2005 and sanctioned by the Court on 13 June 2005, it is conditional upon certain conditions being met including approvals required from the various authorities as detailed below:

a. Ability to seek out new investors who will participate with the Group's immediate holding company – China Aviation Oil Holding Company ("CAOHC") in the fresh equity injection for the purpose of the cash injection as required under the Scheme;
b. Approval by Shareholders at an extraordinary general meeting to be convened to approve the transactions;
c. Approval by the People Republic of China ("PRC") State-Owned Assets Supervisory and Administrative Council and other relevant PRC authorities to this Scheme;
d. Approval in-principle of the SGX-ST for the listing and quotation of the New Shares as part of the equity restructuring exercise to be determined by the Company, CAOHC and the new investors.

The ability of the Group and Company to meet its financial obligations to continue as going concerns depend on the approval of the Scheme by its shareholders and the relevant authorities as well as the Group generating sufficient positive cash flows from its operations following the restructuring exercise.

On 5 December 2005, CAO announced that it had entered into a conditional investment agreement with its holding company, China Aviation Oil Holding Company ("CAOHC") and BP Investments Asia Limited ("BP") in relation to their proposed investment of US$75.77 million and US$44 million respectively in the Company ("Investment Agreement") and a conditional subscription agreement with Aranda Investments Pte. Ltd. ("Aranda") (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek")) in relation to its subscription of shares in the Company ("Subscription Agreement") for US$10.23 million. The total aggregate investment amount raised by CAO pursuant to the above agreements is US$130 million.

The entry into the Investment Agreement and Subscription Agreement is in connection with the Scheme of Arrangement made with the creditors of the Company under Section 210 of the Companies Act (Cap. 50) ("Act"), which was approved by creditors and sanctioned by the High Court of Singapore on 13 June 2005.

In addition, under the Investment Agreement, CAOHC will waive approximately US$113,151,572 (or approximately 92.56%) of the outstanding shareholder's loan (of US$111,155,869) and outstanding declared and unpaid dividend (of US$11,090,465) owing by the Company to CAOHC, and convert the balance amount (of US$9,094,762) into new shares in the Company.

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 dividend has been proposed or declared for this reporting period ended 31 March 2005.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segment revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

Not Applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not Applicable.

15. A breakdown of sales as follows:

Not Applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's most latest full year and its previous full year as follows: (a) ordinary, (b) preference and (c) total.

	Latest Full Year S$'000	Previous Full Year S$'000
Ordinary	0	0
Preference	0	0
Total:	0	0

17. Interested Person Transactions

<u>Pursuant to Rule 920(1)(a)(ii) of the Listing Manual</u>

Aggregate value of interested person transactions entered from 1 January 2005 to 31 March 2005.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$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 S$100,000)
	Jan-Mar 05	Jan-Mar 05
	S$'000	S$'000
Commission income earned from Parent Group	0	3,077

BY ORDER OF THE BOARD

Adrian Chang
Company Secretary
8 December 2005

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
Registration No. 199303293Z
Second Quarter Financial Statement For The Period Ended 30 June 2005

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.

	Group					
	Apr-Jun 05	Apr-Jun 04	inc/(decr)	Jan-Jun 05	Jan-Jun 04	inc/(decr)
		Restated **			Restated **	
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue	6,193	733,322	(727,129)	9,272	1,313,541	(1,304,269)
Cost of revenue	(2,658)	(731,995)	729,337	(2,658)	(1,300,772)	1,298,114
Gross Profit	3,535	1,327	2,208	6,614	12,769	(6,155)
(Loss)/gain on derivatives trading	0	(68,757)	68,757	0	(90,412)	90,412
Other operating income	2,995	4,024	(1,029)	7,936	4,428	3,508
Distribution costs	(4)	(126)	122	(13)	(308)	295
Administration costs	(58)	(277)	219	(132)	(436)	304
Other operating costs	(26,300)	(6,021)	(20,279)	(31,696)	(12,244)	(19,452)
Profit from operating activities	(19,832)	(69,830)	49,998	(17,291)	(86,203)	68,912
Finance costs	(6,597)	(1,041)	(5,556)	(7,054)	(2,273)	(4,781)
Share of result of associated company	9,864	12,872	(3,008)	20,628	24,044	(3,416)
(Loss)/profit before taxation	(16,565)	(57,999)	41,434	(3,717)	(64,432)	60,715
Tax expenses	(1,976)	(2,605)	629	(3,591)	(5,373)	1,782
Net (loss)/profit after tax	(18,541)	(60,604)	42,063	(7,308)	(69,805)	(62,497)
Minority interest	14	1	13	25	1	24
Net (loss)/profit after tax	(18,527)	(60,603)	42,076	(7,283)	(69,804)	(62,473)

Note 1:

Profit from operating activities is derived after charging the following items:-

Interest on borrowing	6,579	422	6,157	6,579	607	5,972
Depreciation and amortization	230	607	(377)	461	1,205	(744)
FX loss/(gain)	17,297	(1,531)	(18,828)	13,260	(1,710)	(14,970)

** the Company has restated the 2Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

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.

	Group			Company		
	As at Jun 05	As at Dec 04	incr/(decr)	As at Jun 05	As at Dec 04	incr/(decr)
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Non-current assets						
Property, plant and equipment	15,004	15,232	(228)	10,045	10,470	(425)
Subsidiary companies	0	0	0	9,104	8,673	431
Associated company	118,426	100,732	17,694	60,827	60,827	0
Other investment	112,914	112,914	0	112,914	112,914	0
	246,344	228,878	17,466	192,890	192,884	6
Current assets						
Trade receivables	4,455	12,191	(7,736)	521	12,095	(11,574)
Other receivables, deposits and prepayments	2,151	6,886	(4,735)	46	6,392	(6,346)
Amount due from holding company	1,141	1,126	15	948	932	16
Amounts due from associated company	28,684	28,187	497	28,684	28,187	497
Amount due from related companies	214	349	(135)	158	293	(135)
Amounts due from minority shareholders of a subsidiary	0	1,802	(1,802)	0	0	0
Loan receivable	0	1,985	(1,985)	0	0	0
Fixed deposits	0	31	(31)	0	0	0
Cash on hand and at bank	37,537	29,213	8,324	31,627	27,535	4,092
	74,182	81,770	(7,588)	61,984	75,434	(13,450)
Current liabilities						
Interest-bearing loans and borrowings	375,539	368,182	7,357	375,539	368,182	7,357
Trade payables	344,945	337,024	7,921	344,939	336,982	7,957
Accrued staff costs	5,436	5,906	(470)	5,412	5,878	(466)
Other payables and accruals	59,927	59,450	477	59,601	59,245	356
Amount due to holding company	202,718	200,012	2,706	202,718	199,995	2,723
Amount due to subsidiary company	0	0	0	17	17	0
Amount due to minority interest	0	585	(585)	0	0	0
Provision for taxation	2,307	2,918	(611)	2,301	2,882	(581)
	990,872	974,077	16,795	990,527	973,181	17,346
Net current asset/(liabilities)	(916,690)	(892,307)	(24,383)	(928,543)	(897,747)	(30,796)
Net Assets/(Liabilities)	(670,346)	(663,429)	(6,917)	(735,653)	(704,863)	(30,790)
Equity						
Share capital	48,384	48,384	0	48,384	48,384	0
Share premium	50,153	50,153	0	50,153	50,153	0
Accumulated profits/(losses)	(769,635)	(762,352)	(7,283)	(834,190)	(803,400)	(30,790)
Foreign currency translation reserve	(1,149)	(1,506)	357	0	0	0
	(672,247)	(665,321)	(6,926)	(735,653)	(704,863)	(30,790)
Minority interest	1,901	1,892	9	0	0	0
Equity and Minority Interest	(670,346)	(663,429)	(6,917)	(735,653)	(704,863)	(30,790)

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

Amount repayable in one year or less, or on demand

As at Jun 05		As at Dec 04	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
0	375,539	0	368,182

Amount repayable after one year

As at Jun 05		As at Dec 04	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
0	0	0	0

Details of any collateral:

Mainly trust receipts including the US$152 million syndicated loan.

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

	Group			
	Apr-Jun 05	Apr-Jun 04 Restated **	Jan-Jun 05	Jan-Jun 04 Restated **
	S$'000	S$'000	S$'000	S$'000
Cash flows from operating activities :				
Profit/(loss) before taxation	(16,565)	(57,999)	(3,717)	(64,432)
Adjustments for:				
Depreciation of property, plant and equipment	230	238	461	468
Provision for realisable value of property, plant and equipment	0	0	(150)	0
Amortization of goodwill arising on acquisition	0	369	0	737
Interest expenses	6,579	422	6,579	607
Interest income	(91)	(268)	(105)	(488)
Share of profit of associated company	(9,864)	(12,872)	(20,628)	(24,044)
Dividend Income	(2,884)	(2,224)	(2,884)	(2,224)
Operating profit/(loss) before working capital changes	(22,595)	(72,334)	(20,444)	(89,376)
(Increase)/decrease in inventories	0	17	0	4,231
(Increase)/decrease in trade receivables	(840)	(91,197)	7,736	48,640
(Increase)/decrease in other receivables, deposits and prepayments	8	(3,620)	4,735	(2,478)
(Increase)/decrease in amount due from holding company	30	(45,836)	(15)	(45,843)
(Increase)/decrease in amount due from associated company	(639)	0	(497)	0
(Increase)/decrease in amount due from related companies	(3)	(30,187)	135	(30,524)
(Increase)/decrease in amount due to minority shareholders of a subsidiary company	0	0	1,802	0
Increase/(decrease) in amounts due to minority interest	0	0	(585)	0
Increase/(decrease) in trade payables	10,168	188,557	7,921	95,289
Increase/(decrease) in accrued staff costs	(4)	196	(470)	(1,145)
Increase/(decrease) in other payables and accruals	688	16,468	477	(271)
Increase/(decrease) in amount due to holding company	3,612	18,144	2,706	18,144
Increase/(decrease) in amount due to a related company	0	(2,311)	0	(2,311)
Cash used in operations	(9,575)	(22,103)	3,501	(5,644)
Income tax paid	(967)	(3,824)	(1,043)	(3,832)
Interest received	91	268	105	488
Interest paid	(6,579)	(422)	(6,579)	(607)
Translation differences	65	0	51	0
Net cash flows used in operating activities	(16,965)	(26,081)	(3,965)	(9,595)
Cash flows from investing activities				
Purchase of property, plant and equipment	0	(48)	(1)	(139)
Acquisition of subsidiary, net of cash acquired	0	2,058	0	2,058
Additions in other investments	0	(387)	0	(387)
Dividend income	2,884	31,203	2,884	31,203
Net cash flows from investing activities	2,884	32,826	2,883	32,735
Cash flows from financing activities				
Increase in loan receivable	0	271,760	1,985	271,760
Increase/(decrease) in interest-bearing loans and borrowings	9,954	(4,605)	8,277	(3,397)
Dividends paid	0	(24,192)	0	(24,192)
Net cash flows generated from/(used in) financing activities	9,954	242,963	10,262	244,171
Net effect of exchange rate changes in consolidating subsidiaries	42	0	33	0
Net increase/(decrease) in cash and cash equivalents	(4,085)	249,708	9,213	267,311
Cash and cash equivalents at beginning of period	17,357	86,356	4,059	68,753
Cash and cash equivalent at end of period	13,272	336,064	13,272	336,064

** the Company has restated the 2Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group				Company			
	Apr-Jun 05	Apr-Jun 04	Jan-Jun 05	Jan-Jun 04	Apr-Jun 05	Apr-Jun 04	Jan-Jun 05	Jan-Jun 04
		Restated**		Restated**		Restated**		Restated**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Share capital								
Balance at beginning of period	48,384	34,560	48,384	34,560	34,560	34,560	48,384	34,560
Bonus issue of ordinary shares	0	13,824	0	13,824	13,824	13,824	0	13,824
Balance at end of period	48,384	48,384	48,384	48,384	48,384	48,384	48,384	48,384
Share premium								
Balance at beginning of period	50,153	63,977	50,153	63,977	50,153	63,977	50,153	63,977
Amount applied for bonus issue of ordinary shares	0	(13,824)	0	(13,824)	0	(13,824)	0	(13,824)
Balance at end of period	50,153	50,153	50,153	50,153	50,153	50,153	50,153	50,153
Foreign currency translation reserve								
Balance at beginning of period	(1,581)	0	(1,506)	0	0	0	0	0
Movement for the period	432	0	357	0	0	0	0	0
Balance at end of period	(1,149)	0	(1,149)	0	0	0	0	0
Accumulated profits/(losses)								
Balance at beginning of period	(751,108)	93,312	(762,352)	102,515	(804,188)	53,394	(803,400)	71,815
Profit/(loss) for the period	(18,527)	(60,601)	(7,283)	(69,804)	(30,002)	(42,354)	(30,790)	(60,775)
Dividend	0	0	0	0	0	0	0	0
Balance at end of period	(769,635)	32,711	(769,635)	32,711	(834,190)	11,040	(834,190)	11,040
Dividend reserve								
Balance at beginning of period	0	24,192	0	24,192	0	24,192	0	24,192
Final dividends paid	0	(24,192)	0	(24,192)	0	(24,192)	0	(24,192)
Dividend proposed	0	0	0	0	0	0	0	0
Balance at end of period	0	0	0	0	0	0	0	0
Total Equity and Reserves	(672,247)	131,248	(672,247)	131,248	(735,653)	109,577	(735,653)	109,577

** the Company has restated the 2Q 2004 results, adjusting for the unrealised losses (Marked- to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005

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.

There was no change in the Company’s issued share capital for the 6 months ended 30 June 2005.

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

The figures have not been audited or reviewed by our auditors.

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.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2004.

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.

Not applicable.

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.

	Group			
	Apr-Jun 05	Apr-Jun 04 Restated **	As at Jun 05	As at Jun 04 Restated**
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	(1.9) cents	(6.3) cents	(0.8) cents	(7.2) cents
(b) On a fully diluted basis	(1.9) cents	(6.3) cents	(0.8) cents	(7.2) cents
(To disclose the basis used in arriving at the weighted average number of shares ('000) for the purposes of (a) above and to provide details of any adjustments made for the purpose of (b) above)	967,680	967,680	967,680	967,680

** the Company has restated the 2Q 2004 results, adjusting for the unrealised losses (Marked- to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005

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.

	Group		Company	
Net asset value per ordinary share based on issued share capital at the end of the period reported on	Jun 05 (69.3) cents	Dec 04 (68.6) cents	Jun 05 (76.0) cents	Dec 04 (72.8) cents
Number of Ordinary Shares issued ('000)	967,680	967,680	967,680	967,680

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.

The primary source of revenue in 2Q 2005, consistent with the business performance in 1Q 2005, is through commissions earned by CAO's wholly owned subsidiary, CAOT Pte Ltd ("CAOT) for carrying out the business of jet fuel procurement on an agency basis.

CAOT will receive income from the agency commissions to be chargeable on the sale of the jet fuel to the buyers. There was approximately 624K Metric Tonnes ("MT") of jet oil fuel supplied in 2Q 2005 compared to nearly 599K MT supplied in 1Q 2005.

In 2Q 2004, revenue included contributions from international oil trading, which has ceased activity since end November 2004. Effective 2Q 05, the Group's gross profits included the operating performance of the Company's subsidiary, China Aviation Oil Xinyuan Petrochemical Co. Ltd ("CAO Xinyuan"), an oil tanks storage facility located in Guangzhou, China.

Classified under other operating income, the Company recognised the second and final dividend distribution from its 5%-held Compania Logistica de Hidrocarburos S.A. ("CLH") of Spain, of approximately S$3 million in respect of Financial Year 2004 compared to S$2.2 million in 1Q 2004, representing an increase of nearly 30%.

A major component of the other operating cost comprised of unrealised foreign exchange translation losses arising from having substantial current liabilities (largely creditors, including bank loans) denominated in US dollars. These outstanding balances, in excess of US$500 million, which on translation into Singapore dollars as of June 2005 compared to March 2005, resulted in unrealised exchange loss exceeding S$13 million. Between these two intervening Balance Sheet dates, US dollars strengthened against the SGD dollars.

Professional fees relating to legal and financial advisers including the engagement services of special investigative accountant (PricewaterhouseCoopers) for their respective involvements with the corporate restructuring efforts were also accounted for in other operating costs. Extensive amount of professional time spent liaising with creditors and government agencies, leading to the successful Creditors' Scheme of Arrangement meeting in June 2005, contributed to the increased operating costs in 2Q 2005 relative to 1Q 2005. A progressive and final invoice, approximately S$3.4 million from PWC was also recorded in this quarter.

The adverse unrealised exchange loss from translation of outstanding liabilities in June 2005, coupled with the increase in other operating costs exceeded the gross profit, resulted in an operating loss of approximately S$20 million for 2Q 2005.

Similar to 1Q 2005, the finance costs comprised mainly of interest charges in servicing the US$152 million syndicated loan and bank overdrafts. In addition, the Company also accounted for the interest accrued on claims by creditors after the filing date that is 30 November 2004, up to and including the proof of debt submission date, which is 15 April 2005, as determined under the Creditors' Scheme of Arrangement.

The Company's 33% share of the results of associated company, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong") contributed approximately S$10 million in 2Q 05, a decline of nearly S$3 million compared to approximately S$13 million in 2Q 2004. The combined effects of cost increase from domestic producers and the price control imposed by the aviation regulators on domestic selling prices, led to Pudong's reduced margins. Both temporary measures took effect in 2Q 05 which were subsequently reversed in 3Q 05.

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

No variance from previous statement

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.

As at 2Q 2005, the Group and Company were in a net shareholders' deficit position of approximately S$670 million and S$735 million respectively.

The Company had announced on 24 May 2005 a proposed Scheme of Arrangement ("the Scheme") with its creditors to restructure its liabilities and to ensure the rehabilitation of the Company as a going concern. Although the Scheme had been approved by the requisite majority of the creditors on 8 June 2005 and sanctioned by the Court on 13 June 2005, it is conditional upon certain conditions being met including approvals required from the various authorities as detailed below:

a. Ability to seek out new investors who will participate with the Group's immediate holding company – China Aviation Oil Holding Company ("CAOHC") in the fresh equity injection for the purpose of the cash injection as required under the Scheme;
b. Approval by Shareholders at an extraordinary general meeting to be convened to approve the transactions;
c. Approval by the People Republic of China ("PRC") State-Owned Assets Supervisory and Administrative Council and other relevant PRC authorities to this Scheme;
d. Approval in-principle of the SGX-ST for the listing and quotation of the New Shares as part of the equity restructuring exercise to be determined by the Company, CAOHC and the new investors.

The ability of the Group and Company to meet its financial obligations to continue as going concerns depend on the approval of the Scheme by its shareholders and the relevant authorities as well as the Group generating sufficient positive cash flows from its operations following the restructuring exercise.

On 5 December 2005, CAO announced that it had entered into a conditional investment agreement with its holding company, China Aviation Oil Holding Company ("CAOHC") and BP Investments Asia Limited ("BP") in relation to their proposed investment of US$75.77 million and US$44 million respectively in the Company ("Investment Agreement") and a conditional subscription agreement with Aranda Investments Pte. Ltd. ("Aranda") (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek")) in relation to its subscription of shares in the Company ("Subscription Agreement") for US$10.23 million. The total aggregate investment amount raised by CAO pursuant to the above agreements is US$130 million.

The entry into the Investment Agreement and Subscription Agreement is in connection with the Scheme of Arrangement made with the creditors of the Company under Section 210 of the Companies Act (Cap. 50) ("Act"), which was approved by creditors and sanctioned by the High Court of Singapore on 13 June 2005.

In addition, under the Investment Agreement, CAOHC will waive approximately US$113,151,572 (or approximately 92.56%) of the outstanding shareholder's loan (of US$111,155,869) and outstanding declared and unpaid dividend (of US$11,090,465) owing by the Company to CAOHC, and convert the balance amount (of US$9,094,762) into new shares in the Company.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on ? None

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year ? None

(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 dividend has been proposed or declared for this reporting period ended 30 June 2005.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segment revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

Not Applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not Applicable.

15. A breakdown of sales as follows:

Not Applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's most latest full year and its previous full year as follows: (a) ordinary, (b) preference and (c) total.

	Latest Full Year S$'000	Previous Full Year S$'000
Ordinary	0	0
Preference	0	0
Total:	0	0

17. Interested Person Transactions

<u>Pursuant to Rule 920(1)(a)(ii) of the Listing Manual</u>

Aggregate value of interested person transactions entered from 1 January 2005 to 30 June 2005.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$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 S$100,000)	
	Apr-Jun 05	Jan-Jun 05	Apr-Jun 05	Jan-Jun 05
	S$'000	S$'000	S$'000	S$'000
Commission income earned from Parent Group	0	0	3,523	6,600

BY ORDER OF THE BOARD

Adrian Chang
Company Secretary
8 December 2005

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
Registration No. 199303293Z
Third Quarter Financial Statement For The Period Ended 30 September 2005

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR 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.

	Group					
	Jul-Sep 05	Jul-Sep 04	inc/(decr)	Jan-Sep 05	Jan-Sep 04	inc/(decr)
		Restated**			Restated**	
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue	4,049	897,972	893,923	13,321	2,211,513	2,198,192
Cost of revenue	(34)	(877,920)	(877,886)	(2,692)	(2,178,692)	(2,176,000)
Gross Profit	4,015	20,052	16,037	10,629	32,821	22,192
(Loss)/gain on derivatives trading	0	(344,778)	(344,778)	0	(435,190)	(435,190)
Other operating income	214	1,414	1,200	8,150	5,842	(2,308)
Distribution costs	13	(159)	(172)	0	(467)	(467)
Administration costs	(52)	(235)	(183)	(184)	(671)	(487)
Other operating costs	(17,788)	(4,702)	13,086	(49,484)	(16,946)	32,538
Profit from operating activities	(13,598)	(328,408)	(314,810)	(30,889)	(414,611)	(383,722)
Finance costs	(2)	(2,605)	(2,603)	(7,056)	(4,878)	2,178
Share of result of associated company	15,925	16,411	486	36,553	40,455	3,902
(Loss)/profit before taxation	2,325	(314,602)	(316,927)	(1,392)	(379,034)	(377,642)
Tax expenses	(2,389)	(2,408)	(19)	(5,980)	(7,781)	(1,801)
Net (loss)/profit after tax	(64)	(317,010)	(316,946)	(7,372)	(386,815)	(379,443)
Minority Interest	51	(64)	(115)	76	(63)	(139)
Net (loss)/profit after tax	(13)	(317,074)	(317,061)	(7,296)	(386,878)	(379,582)
Note 1:						
Profit from operating activities is derived after charging the following items:-						
Interest on borrowing	0	1,400	(1,400)	6,579	2,007	4,572
Depreciation and amortization	390	(509)	899	851	696	155
FX loss/(gain)	(17,352)	(253)	17,099	(4,092)	(1,964)	2,128

** the Company has restated the 3Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

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.

	Group			Company		
	As at Sep 05	As at Dec 04	incr/(decr)	As at Sep 05	As at Dec 04	incr/(decr)
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Non-current assets						
Property, plant and equipment	19,431	15,232	4,199	9,838	10,470	(632)
Subsidiary companies	0	0	0	9,152	8,673	479
Associated company	132,498	100,732	31,766	60,827	60,827	0
Other investment	112,914	112,914	0	112,914	112,914	0
	264,843	228,878	35,965	192,731	192,884	(153)
Current assets						
Trade receivables	4,367	12,191	(7,824)	555	12,095	(11,540)
Other receivables, deposits and prepayments	174	6,886	(6,712)	91	6,392	(6,301)
Amount due from holding company	981	1,126	(145)	981	932	49
Amounts due from associated company	29,678	28,187	1,491	29,678	28,187	1,491
Amount due from related companies	163	349	(186)	163	293	(130)
Amounts due from minority shareholders of a subsidiary	0	1,802	(1,802)	0	0	0
Loan receivable	0	1,985	(1,985)	0	0	0
Fixed deposits	21,612	31	21,581	21,612	0	21,612
Cash on hand and at bank	18,967	29,213	(10,246)	7,143	27,535	(20,392)
	75,942	81,770	(5,828)	60,223	75,434	(15,211)
Current liabilities						
Interest-bearing loans and borrowings	381,419	368,182	13,237	381,419	368,182	13,237
Trade payables	350,331	337,024	13,307	350,329	336,982	13,347
Accrued staff costs	5,427	5,906	(479)	5,409	5,878	(469)
Other payables and accruals	65,254	59,450	5,804	60,474	59,245	1,229
Amount due to holding company	205,608	200,012	5,596	205,608	199,995	5,613
Amount due to subsidiary company	0	0	0	58	17	41
Amount due to minority interest	0	585	(585)	0	0	0
Provision for taxation	2,296	2,918	(622)	2,301	2,882	(581)
	1,010,335	974,077	36,258	1,005,598	973,181	32,417
Net current asset/(liabilities)	(934,393)	(892,307)	(42,086)	(945,375)	(897,747)	(47,628)
Net Assets/(Liabilities)	(669,550)	(663,429)	(6,121)	(752,644)	(704,863)	(47,781)
Equity						
Share capital	48,384	48,384	0	48,384	48,384	0
Share premium	50,153	50,153	0	50,153	50,153	0
Accumulated profits/(losses)	(769,648)	(762,352)	(7,296)	(851,181)	(803,400)	(47,781)
Foreign currency translation reserve	(354)	(1,506)	1,152	0	0	0
	(671,465)	(665,321)	(6,144)	(752,644)	(704,863)	(47,781)
Minority interest	1,915	1,892	23	0	0	0
Equity and Minority Interest	(669,550)	(663,429)	(6,121)	(752,644)	(704,863)	(47,781)

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

Amount repayable in one year or less, or on demand

As at Sep 05		As at Dec 04	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
0	381,419	0	368,182

Amount repayable after one year

As at Sep 05		As at Dec 04	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
0	0	0	0

Details of any collateral:

Mainly trust receipts including the US$152 million syndicated loan.

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

	Group			
	Jul-Sep 05	Jul-Sep 04 Restated**	Jan-Sep 05	Jan-Sep 04 Restated**
	S$'000	S$'000	S$'000	S$'000
Cash flows from operating activities :				
Profit/(loss) before taxation	2,325	(314,602)	(1,392)	(379,034)
Adjustments for:				
Depreciation of property, plant and equipment	390	228	851	696
Provision for realisable value of property, plant and equipment	150	0	0	0
Amortization of goodwill arising on acquisition	0	(737)	0	0
Interest expenses	0	1,400	6,579	2,007
Interest income	(146)	(985)	(251)	(1,473)
Share of profit of associated company	(15,925)	(16,411)	(36,553)	(40,455)
Dividend Income	0	0	(2,884)	(2,224)
Operating profit/(loss) before working capital changes	(13,206)	(331,107)	(33,650)	(420,483)
(Increase)/decrease in inventories	0	1	0	4,232
(Increase)/decrease in trade receivables	88	27,260	7,824	75,900
(Increase)/decrease in other receivables, deposits and prepayments	1,977	(6,377)	6,712	(8,855)
(Increase)/decrease in amount due from holding company	160	(1,368)	145	(47,211)
(Increase)/decrease in amount due from associated company	(994)	0	(1,491)	0
(Increase)/decrease in amount due from related companies	51	(55,944)	186	(86,468)
(Increase)/decrease in amount due to minority shareholders of a subsidiary company	0	0	1,802	0
Increase/(decrease) in amounts due to minority interest	0	0	(585)	0
Increase/(decrease) in trade payables	5,386	400,733	13,307	496,022
Increase/(decrease) in accrued staff costs	(9)	1,077	(479)	(68)
Increase/(decrease) in other payables and accruals	5,327	3,511	5,804	3,240
Increase/(decrease) in amount due to holding company	2,890	(1,016)	5,596	17,128
Increase/(decrease) in amount due to a related company	0	2,311	0	0
Cash used in operations	1,670	39,081	5,171	33,437
Income tax paid	(11)	(1,674)	(1,054)	(5,506)
Interest received	146	985	251	1,473
Interest paid	0	(1,400)	(6,579)	(2,007)
Translation differences	96	2,492	147	2,492
Net cash flows used in operating activities	1,901	39,484	(2,064)	29,889
Cash flows from investing activities				
Proceeds from contribution by minority shareholders				
Purchase of property, plant and equipment	(4,804)	(138)	(4,805)	(277)
Acquisition of subsidiary, net of cash acquired	0	125	0	2,183
Additions in other investments	0	(109)	0	(496)
Dividend income	0	0	2,884	31,203
Net cash flows from investing activities	(4,804)	(122)	(1,921)	32,613
Cash flows from financing activities				
Increase/(decrease) in loan receivable	0	(13,724)	1,985	258,036
Increase/(decrease) in interest-bearing loans and borrowings	5,500	8,623	13,777	5,226
Dividends paid	0	0	0	(24,192)
Net cash flows generated from/(used in) financing activities	5,500	(5,101)	15,762	239,070
Net effect of exchange rate changes in consolidating subsidiaries	65	0	98	0
Net increase/(decrease) in cash and cash equivalents	2,662	34,261	11,875	301,572
Cash and cash equivalents at beginning of period	13,272	336,064	4,059	68,753
Cash and cash equivalent at end of period	15,934	370,325	15,934	370,325

** the Company has restated the 3Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group				Company			
	Jul-Sep 05	Jul-Sep 04	Jan-Sep 05	Jan-Sep 04	Jul-Sep 05	Jul-Sep 04	Jan-Sep 05	Jan-Sep 04
		Restated**		Restated**		Restated**		Restated**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Share capital								
Balance at beginning of period	48,384	48,384	48,384	34,560	48,384	48,384	48,384	34,560
Bonus issue of ordinary shares	0	0	0	13,824	0	0	0	13,824
Balance at end of period	48,384	48,384	48,384	48,384	48,384	48,384	48,384	48,384
Share premium								
Balance at beginning of period	50,153	50,153	50,153	63,977	50,153	50,153	50,153	63,977
Amount applied for bonus issue of ordinary shares	0	0	0	(13,824)	0	0	0	(13,824)
Balance at end of period	50,153	50,153	50,153	50,153	50,153	50,153	50,153	50,153
Foreign currency translation reserve								
Balance at beginning of period	(1,149)	0	(1,506)	0	0	0	0	0
Movement for the period	795	102	1,152	102	0	0	0	0
Balance at end of period	(354)	102	(354)	102	0	0	0	0
Accumulated profits/(losses)								
Balance at beginning of period	(769,635)	32,711	(762,352)	102,513	(834,190)	11,040	(803,400)	71,815
Profit/(loss) for the period	(13)	(317,076)	(7,296)	(386,878)	(16,991)	(331,980)	(47,781)	(392,755)
Balance at end of period	(769,648)	(284,365)	(769,648)	(284,365)	(851,181)	(320,940)	(851,181)	(320,940)
Dividend reserve								
Balance at beginning of period	0	0	0	24,192	0	0	0	24,192
Final dividends paid	0	0	0	(24,192)	0	0	0	(24,192)
Balance at end of period	0	0	0	0	0	0	0	0
Total Equity and Reserves	(671,465)	(185,726)	(671,465)	(185,726)	(752,644)	(222,403)	(752,644)	(222,403)

** the Company has restated the 3Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

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.

There was no change in the Company’s issued share capital for the 3 months ended 30 September 2005

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

The figures have not been audited or reviewed by our auditors.

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.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2004.

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.

Not applicable.

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.

	Group			
	Jul-Sep 05	**Jul-Sep 04 Restated****	**As at Sep 05**	**As at Sep 04 Restated****
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	0.00	(32.8) cents	(0.8) cents	(40.0) cents
(b) On a fully diluted basis	0.00	(32.8) cents	(0.8) cents	(40.0) cents
(To disclose the basis used in arriving at the weighted average number of shares (‘000) for the purposes of (a) above and to provide details of any adjustments made for the purpose of (b) above)	967,680	967,680	967,680	967,680

** the Company has restated the 3Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

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.

	Group		Company	
Net asset value per ordinary share based on issued share capital at the end of the period reported on	Sep 05	Dec 04	Sep 05	Dec 04
	(69.2) cents	(68.6) cents	(77.8) cents	(72.8) cents
Number of Ordinary Shares issued ('000)	967,680	967,680	967,680	967,680

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.

The primary source of revenue in 3Q 2005, consistent with the business performance in 2Q 2005, is through commissions earned by CAO's wholly owned subsidiary, CAOT Pte Ltd ("CAOT) for carrying out the business of jet fuel procurement on an agency basis.

CAOT will receive income from the agency commissions to be chargeable on the sale of the jet fuel to the Buyers. There was approximately 676K Metric Tonnes ("MT") of jet oil fuel supplied in 3Q 2005 compared to nearly 624K MT supplied in 2Q 2005.

In 3Q 2004, revenue included contributions from international oil trading, which has ceased activity since end November 2004.

US dollars continued to strengthen further against the SGD dollars between June and September 2005. This explained for the unrealised exchange translation losses arising from outstanding positions of substantial current liabilities (largely creditors, including bank loans) denominated in US dollars. These outstanding balances, in excess of US$500 million, which on translation into Singapore dollars resulted in unrealised exchange loss exceeding S$13 million.

Professional fees relating to legal and financial advisers were accounted for in the other operating costs. Approximately S$2 million were time costs attributable for their ongoing involvements with the corporate restructuring efforts There were no further fees accrued in respect of PricewaterhouseCoopers in 3Q 2005 following completion of their assignment in June 2005.

The adverse unrealised translation exchange loss (approximately S$13 million) coupled with the other operating costs (approximately S$4 million) exceeded the gross profit, resulted in an operating loss of approximately S$14 million for 3Q 2005.

Similar in 2Q 2005, the finance costs comprised mainly of interest charges in servicing the US$152 million syndicated loan and bank overdrafts.

The Company's 33% share of the results of associated company, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong") contributed approximately S$16 million in 3Q 2005 to the Groups'profit before tax, close to the same contribution in 3Q 2004.

The Company made an announcement on 16 September 2005 regarding the voluntary liquidation of Greater China Travel Industry (Singapore) Pte Ltd ("GCTI"), a wholly owned subsidiary of the Company, as part of the winding down of the non-core businesses of the Company. The liquidation of GCTI will have no impact on the existing restructuring efforts of the Company.

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

No variance from previous statement

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.

As at 3Q 2005, the Group and Company were in a net shareholders' deficit position of approximately S$670 million and S$735 million respectively.

The Company had announced on 24 May 2005 a proposed Scheme of Arrangement ("the Scheme") with its creditors to restructure its liabilities and to ensure the rehabilitation of the Company as a going concern. Although the Scheme had been approved by the requisite majority of the creditors on 8 June 2005 and sanctioned by the Court on 13 June 2005, it is conditional upon certain conditions being met including approvals required from the various authorities as detailed below:

a. Ability to seek out new investors who will participate with the Group's immediate holding company – China Aviation Oil Holding Company ("CAOHC") in the fresh equity injection for the purpose of the cash injection as required under the Scheme;
b. Approval by Shareholders at an extraordinary general meeting to be convened to approve the transactions;
c. Approval by the People Republic of China ("PRC") State-Owned Assets Supervisory and Administrative Council and other relevant PRC authorities to this Scheme;
d. Approval in-principle of the SGX-ST for the listing and quotation of the New Shares as part of the equity restructuring exercise to be determined by the Company, CAOHC and the new investors.

The ability of the Group and Company to meet its financial obligations to continue as going concerns depend on the approval of the Scheme by its shareholders and the relevant authorities as well as the Group generating sufficient positive cash flows from its operations following the restructuring exercise.

On 5 December 2005, CAO announced that it had entered into a conditional investment agreement with its holding company, China Aviation Oil Holding Company ("CAOHC") and BP Investments Asia Limited ("BP") in relation to their proposed investment of US$75.77 million and US$44 million respectively in the Company ("Investment Agreement") and a conditional subscription agreement with Aranda Investments Pte. Ltd. ("Aranda") (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek")) in relation to its subscription of shares in the Company ("Subscription Agreement") for US$10.23 million. The total aggregate investment amount raised by CAO pursuant to the above agreements is US$130 million.

The entry into the Investment Agreement and Subscription Agreement is in connection with the Scheme of Arrangement made with the creditors of the Company under Section 210 of the Companies Act (Cap. 50) ("Act"), which was approved by creditors and sanctioned by the High Court of Singapore on 13 June 2005.

In addition, under the Investment Agreement, CAOHC will waive approximately US$113,151,572 (or approximately 92.56%) of the outstanding shareholder's loan (of US$111,155,869) and outstanding declared and unpaid dividend (of US$11,090,465) owing by the Company to CAOHC, and convert the balance amount (of US$9,094,762) into new shares in the Company.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on ? None

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year ?

None

(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 dividend has been proposed or declared for this reporting period ended 30 September 2005.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segment revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

Not Applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not Applicable.

15. A breakdown of sales as follows:

Not Applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's most latest full year and its previous full year as follows:
(a) ordinary,
(b) preference and (c) total.

	Latest Full Year S$'000	Previous Full Year S$'000
Ordinary	0	0
Preference	0	0
Total:	0	0

17. Interested Person Transactions

<u>Pursuant to Rule 920(1)(a)(ii) of the Listing Manual</u>

Aggregate value of interested person transactions entered from 1 January 2005 to 30 September 2005.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$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 S$100,000)	
	Jul-Sep 05	Jan-Sep 05	Jul-Sep 05	Jan-Sep 05
	S$'000	S$'000	S$'000	S$'000
Commission income earned from Parent Group	0	0	4,008	10,608

BY ORDER OF THE BOARD

Adrian Chang
Company Secretary
8 December 2005

APPENDIX 5

INFORMATION ON MATERIAL LEGAL PROCEEDINGS OR ARBITRATION PROCEEDINGS OF THE COMPANY

1. Claim by Satya Capital Ltd ("Satya")

Satya filed a claim against the Company and CAOHC on 7 December 2004 in the High Court of Singapore for damages arising from the alleged breach by the Company of the sale and purchase agreement entered into between Satya and the Company for the sale and purchase of shares in Singapore Petroleum Company Limited. On 7 June 2005, CAO entered into a conditional settlement agreement with Satya, whereby Satya agreed to settle its claims against the Company and CAOHC, and accept a full and final claim of US$28 million, under the terms of the Creditors' Scheme. This settlement is conditional on the Creditors' Scheme being implemented.

2. US Class action suits by Mary Wilson Burke and Leong Yan Thiang

Mary Wilson Burke and Leong Yan Thiang, being Shareholders of the Company, filed 2 class action suits in the Southern District Courts of New York against the Company and its Directors, Jia Changbin and Chen Jiulin, in early 2005, for damages arising from certain alleged false or misleading statements made in relation to the Company's financial status and business prospects. On 29 November 2005, the relevant US court ruled that it has no subject matter jurisdiction and has dismissed the plaintiffs' application to effect service of court process. It is not known whether the plaintiffs will appeal against the decision.

3. Claim by SK Energy Asia Ltd ("SK Energy")

SK Energy filed a claim against the Company and its Directors on 22 February 2005 in the High Court of Singapore claiming approximately US$14 million in respect of 3 jet fuel cargoes. On 4 March 2005, SK Energy also filed a judicial management petition against the Company in the High Court of Singapore.

The High Court granted leave on 13 June 2005 for the judicial management petition to be withdrawn, in view of the Creditors' Scheme. The action by SK Energy was also discontinued on 4 November 2005 after the Company and SK Energy reached a settlement, which provided, *inter alia*, that the amount claimed by SK Energy would be paid in accordance with the Creditors' Scheme. This settlement is conditional on the Creditors' Scheme being implemented.

4. Claim by Sumitomo Mitsui Banking Corporation ("Sumitomo")

Sumitomo filed a claim against the Company on 24 February 2005 in the High Court of Singapore for approximately US$14 million in respect of liability under two standby letters of credit and a further US$11 million in respect of trust receipt facilities extended to the Company, and damages for alleged misrepresentation, fraud and conspiracy in relation to these facilities. The Company filed its defence on 24 February 2005, and pre-trial conference for the action has been fixed on 21 April 2006. The parties are in discussions for a possible out-of-court settlement.

5. Claim against J. Aron & Company ("J. Aron")

The Company filed a claim against J. Aron on 16 March 2005 in the High Court of Singapore for damages or rescission of two agreements entered into between the Company and J. Aron to restructure its options portfolio in January 2004 and June 2004, respectively. J. Aron is counterclaiming against the Company for the amount of US$7.7 million in relation to terminated derivatives transactions. The Company filed its defence to the counterclaim on 30 September 2005. The matter is pending in the High Court of Singapore.

6. **Application by IMF (Australia) Ltd ("IMF")**

IMF, a corporation incorporated in Australia, filed an application in the High Court of Singapore to compel the Company to produce its full list of Shareholders and their particulars. The matter was heard on 27 April 2005 and the court dismissed IMF's application with costs.

7. **Claim by Marshall Realty Pte Ltd ("Marshall")**

Marshall, a Shareholder of the Company, filed proceedings in the Subordinate Courts of Singapore for pre-trial discovery of documents in relation to alleged misleading representations made by its Deputy Head of Investor Relations, John Casey, in relation to the Company's share placement exercise in October 2004. Marshall has not served its application on the Company. On 20 May 2005, the court dismissed Marshall's application with costs. Marshall has not taken any further action since then.

APPENDIX 6

I. EFFECT OF RESTRUCTURING PLAN ON SHARE CAPITAL OF THE GROUP

	As at 31 December 2004		As at 30 September 2005		After Implementation of the Restructuring Plan	
	Value (S$000)	No. of Shares	Value (S$000)	No. of Shares	Value (S$000)	No. of Shares
Issued and Paid-Up Share Capital	98,537	967,679,992	98,537	967,679,992	371,119	722,820,596

Note:

(1) Effect of the Restructuring Plan on the share capital of the Group has been presented on the assumption that the concept of par value of shares has been abolished pursuant to the Companies (Amendment) Act 2005, prior to the issue of new Shares by the Company pursuant to the Restructuring Plan. The share premium balance of the Group, amounting to S$50,153,000, is included in the share capital account of the Group in the above illustration.

II. EFFECT OF RESTRUCTURING PLAN ON NTA PER SHARE, EPS AND GEARING OF THE GROUP

Purely for illustrative purposes only, and assuming that the Restructuring Plan is implemented in its entirety and the new Shares to be issued by the Company pursuant to the Restructuring Plan are issued on 1 January 2005, the NTA per share, EPS and gearing of the Group, based on the FY2004 full-year audited financial statements of the Company and the FY2005 3rd quarter unaudited financial statements, respectively, are as follows:

(a) NTA per Share

All figures in S$'000	As at 31 December 2004	As at 30 September 2005 (Unaudited)	After Implementation of the Restructuring Plan
NTA / (NTL)	(663,429)	(669.550)	(669,550)
Add: Amount of debt waived			512,845[(1)]
Consideration for new Shares issued			272,581[(2)]
NTA / (NTL) after deducting estimated expenses	(663,429)	(669.550)	115,877
No. of Shares in the issued and paid-up share capital of the Company (000)	967,680	967,680	72,2,821
NTA / (NTL) per Share (S$)	(0.69)	(0.69)	0.16

Notes:

[(1)] Includes approximately S$322,626,000 of Creditors' debt waived and approximately S$190,219,000 of CAOHC's debt waived under the Creditors' Scheme.

[(2)] Includes consideration of (a) approximately S$15,389,000 arising from the conversion of CAOHC's Shareholder's loan and dividend, (b) approximately S$128,207,000 arising from the issue of the CAOHC Investment Shares, (c) approximately S$74,451,000 arising from the issue of the BP Investment Shares, (d) approximately S$17,310,000 arising from the issue of the Subscription Shares, and (e) approximately S$37,225,000 arising from the issue of the Creditors' Invitation Shares.

(b) EPS

All Figures in S$'000s	**For the period ended 31 December 2004**	**For the period ended 30 September 2005 (Unaudited)**	**After Implementation of the Restructuring Plan**
Net profit / (loss) attributable to Shareholders	(864,865)	(7,296)	(7,296)
Adjustments			
Less: Interest relating to debt to be restructured (1)			(7,056)
Add: Interest payable on Deferred Debt (2)			7,366
Adjusted Net profit / (loss) attributable to Shareholders	(864,865)	(7,296)	(7,576)
No. of Shares in the issued and paid-up share capital of the Company	967,680	967,680	722,821
Profit/(Loss) per Share (Cents)	(0.89)	(0.01)	(0.01)

Notes:

(1) This relates to the interest costs on debts to be restructured under the Creditors' Scheme.

(2) This relates to the interest payable on the Deferred Debt under the Creditors' Scheme, and assumes that Tranche B Creditors apply their Deferred Debt to subscribe for all the Creditors' Invitation Shares.

(c) Gearing

All Figures in S$'000s	**For the period ended 31 December 2004**	**For the period ended 30 September 2005 (Unaudited)**	**After Implementation of the Restructuring Plan**
Total Borrowings	760,104	787,942	787,942(1)
Add: Debt Written Off			(322,626)(2)
Add: Repayment of Debt			(257,193)(3)
Net Borrowings			208,123
Gain from Debt Write Off			205,608(4)
Surplus / (Deficit) in Shareholders' Funds	(663,429)	(669,550)	115,877
Gearing (times)(5)	(1.15)	(1.18)	1.80

Notes:-

((1) "Total Borrowings" refers to the total debt owing to Creditors under the Creditors' Scheme, but excludes CAOHC's Shareholder's loan.

(2) "Debt Written Off" refers to debt waived under the Creditors' Scheme.

(3) Includes consideration of (a) approximately S$128,207,000 arising from the issue of the CAOHC Investment Shares, (b) approximately S$74,451,000 arising from the issue of the BP Investment Shares, (c) approximately S$17,310,000 arising from the issue of the Subscription Shares, and (d) approximately S$37,225,000 arising from the issue of the Creditors' Invitation Shares.

(4) Includes gain from partial waiver of CAOHC Shareholder's loan.

(5) "Gearing" is computed based on ratio of Total Borrowings to Shareholders' Funds.

APPENDIX 7

MATERIAL CONTRACTS OF THE GROUP FOR THE LAST 2 YEARS

1. Sale and Purchase Agreement dated 20 January 2004 made between the Company and Fortune Oil PRC Holding Limited in relation to the proposed purchase of shares in Fortune Aviation Holding Limited by the Company. This agreement lapsed for non-satisfaction/fulfilment of its conditions precedent.

2. Memorandum of Understanding dated 23 March 2004 made between the Company and Emirates National Oil Company Limited in relation to the proposed acquisition of 20% equity stake in Horizon Terminal Limited by the Company, a proposed joint venture to build a bulk liquid terminal on Jurong Island, and exploration of business opportunities and investments in the Middle East. No binding agreements were entered into between the parties.

3. Agreement dated 29 December 2003 made between the Company and Shenzhen Juzhengyuan Petrochemical Co Ltd ("**JZY**") to acquire 80% of its equity interest in its Shuidong oil storage facilities asset, which asset comprises, *inter alia*, 76,732 square metres of land, 6 tanks of 5,000 cubic metres each and 2 tanks of 10,000 cubic metres each, for a total consideration of RMB18.4 million in cash. Under the agreement, the Company and JZY would inject their respective shares of the asset to form a joint venture to operate the oil tank farm and carry out oil-related activities. The additional investment to be injected by the Company into the joint venture subsequent to its formation was RMB21.6 million. Subsequently, Xinyuan was established and registered as a Sino-foreign equity joint venture enterprise on 9 April 2004.

4. Share Purchase Agreement dated 18 August 2004 made between the Company and Satya Capital Limited in relation to the purchase of shares in Singapore Petroleum Company Limited. This agreement was terminated by the Company due to non-satisfaction of the conditions precedent.

5. Provision of Services Agreement dated December 2004 made between the Company, CAOHC and CAOT for the provision of certain services, namely, the use of the Company's premises, including working space and facilities, and the secondment of employees, to CAOT for a fee.

6. Trust Deed dated December 2004 made between the Company, CAOHC and CAOT for CAOHC to provide financial resources on a need basis to be held on trust for CAOT to carry on its jet fuel procurement business.

7. Agency Agreement dated 16 February 2005 made between CAOT and CAOSC Aviation Oil Co., Ltd in relation to the appointment of CAOT as the latter's agent for jet fuel procurement.

8. Agency Agreement dated 3 March 2005 made between CAOT and South China Bluesky Aviation Oil Co. Ltd in relation to the appointment of CAOT as the latter's agent for jet fuel procurement.

9. Agency Agreement dated 16 March 2005 made between CAOT and SPIA in relation to the appointment of CAOT as the latter's agent for jet fuel procurement.

10. Subscription Agreement dated 5 December 2005 made between the Company, CAOHC and Aranda in relation to the subscription of shares in the Company in relation to, *inter alia*, (a) the subscription of new shares in the Company by CAOHC for the subscription consideration of US$75,770,000, (b) the conversion of US$9,094,762 debt into shares in the Company by CAOHC, and (iii) the subscription of new shares in the Company by Aranda for the subscription consideration of US$10,230,000.

11. Investment Agreement dated 5 December 2005 made between the Company, CAOHC

and BP in relation to the subscription of shares in the Company in relation to, *inter alia*, (a) the subscription of new shares in the Company by CAOHC for the subscription consideration of US$75,770,000, (b) the conversion of US$9,094,762 debt into shares in the Company by CAOHC, and (iii) the subscription of new shares in the Company by BP for the subscription consideration of US$44,000,000.

12. Business Co-operation Agreement dated 5 December 2005 made between the Company, CAOHC and BP in relation to the provision of trading expertise, secondment of staff, and training and risk management services from BP to the Company.