



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)
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
		Restated **			Restated **	
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.

	<u>Group</u>			<u>Company</u>		
	As at Jun 05 S\$'000	As at Dec 04 S\$'000	incr/(decr) S\$'000	As at Jun 05 S\$'000	As at Dec 04 S\$'000	incr/(decr) 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
	<u>246,344</u>	<u>228,878</u>	17,466	<u>192,890</u>	<u>192,884</u>	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
	<u>74,182</u>	<u>81,770</u>	(7,588)	<u>61,984</u>	<u>75,434</u>	(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)
	<u>990,872</u>	<u>974,077</u>	16,795	<u>990,527</u>	<u>973,181</u>	17,346
Net current asset/(liabilities)	<u>(916,690)</u>	<u>(892,307)</u>	(24,383)	<u>(928,543)</u>	<u>(897,747)</u>	(30,796)
Net Assets/(Liabilities)	<u>(670,346)</u>	<u>(663,429)</u>	(6,917)	<u>(735,653)</u>	<u>(704,863)</u>	(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
	<u>(672,247)</u>	<u>(665,321)</u>	(6,926)	<u>(735,653)</u>	<u>(704,863)</u>	(30,790)
Minority interest	1,901	1,892	9	0	0	0
Equity and Minority Interest	<u>(670,346)</u>	<u>(663,429)</u>	(6,917)	<u>(735,653)</u>	<u>(704,863)</u>	(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	Jan-Jun 05	Jan-Jun 04
	S\$'000	S\$'000	S\$'000	S\$'000
		Restated **		Restated **
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	
	Jun 05	Dec 04	Jun 05	Dec 04
Net asset value per ordinary share based on issued share capital at the end of the period reported on	(69.3) cents	(68.6) cents	(76.0) 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:
- 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
 - 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

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

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