



MEDIA RELEASE

(For Immediate Release)

CAO files Proposed Scheme of Arrangement with High Court of Singapore

(Singapore, 24 January 2005) China Aviation Oil (Singapore) Corporation Ltd (“CAO” or the “Company”) would like to announce that pursuant to the Order of Court dated 10 December 2004, a proposed Scheme of Arrangement (the “Scheme”) between CAO and its creditors has been filed with the High Court of Singapore today through the Company’s lawyers, M/s Rajah & Tann.

Terms of Scheme

The principal terms of the Scheme comprise:

- A cash injection of up to US\$100 million in fresh equity from China Aviation Oil Holding Company (“CAOHC”) and a new investor (“New Investor”) which will go to working capital and a cash distribution to creditors on terms to be agreed between CAOHC, New Investor and the Company.
- An upfront US\$100 million cash distribution to be paid to creditors, comprising US\$70 million from fresh equity and US\$30 million to be derived from existing assets.

- The repayment of US\$120 million (“Deferred Debt”) as part of the Total External Debt, to be paid annually over a period of 8 years to be derived from the operational cashflow of the Company and/or dividends from investment shareholdings and/or the sale of assets, at the Company’s discretion.
- CAOHC shall be treated like the other unsecured creditors of the Company in the Scheme with respect to its shareholder loan of US\$118 million. However, as a gesture of goodwill, CAOHC will not participate in the cash distribution and the Deferred Debt but will convert its debt at a discount, as specified in the Scheme, to shares in the Company at a price to be agreed by CAOHC, the New Investor and the Company.
- The irrevocable release of all rights, interests and claims by the creditors against the Company in relation to the balance waived debt of the Company.

The Company has been informed that CAOHC has invited Temasek Holdings (Private) Limited to participate in the proposed fresh equity injection and discussions between the two parties are continuing.

The total liabilities of CAO are currently estimated to be about US\$648 million, subject to adjudication. On the basis of CAOHC not participating in the cash distribution and Deferred Debt and the conversion of its debt at a discount, as specified in the Scheme, to shares in the Company, the total proposed payout of US\$220 million by the Company represents a repayment ratio of about 41.5%. The Company believes that the current proposed Scheme is fair and reasonable given the circumstances. At present, CAO has an estimated total number of about 100 creditors.

Mdm Gu Yanfei, Non-Executive Director of CAO and Special Task Force Leader said: “We urge the creditors to be realistic and support the Scheme. We have taken their views and feedback into consideration and the payout under the Scheme is significantly higher compared to other alternatives. The conversion of the shareholder loan was negotiated with CAOHC as a goodwill gesture to creditors. After the Scheme is filed, we will be explaining the Scheme to the creditors and hope to garner their support so as to achieve a fair and reasonable outcome for all stakeholders of the Company.”

“We believe that a successful restructuring exercise is in the interest of minority shareholders. We want to assure minority shareholders that we will continue to keep their interests in mind in the discussions regarding the equity restructuring between CAOHC and the New Investor.” Mdm Gu added.

In the meantime, meetings with creditors will be arranged to explain the proposed Scheme. The Company will in due course, advertise and call for Proof of Debt from creditors for adjudication purposes. In addition, CAO will continue to discuss and negotiate with CAOHC and the New Investor with respect to their proposed cash injection by way of fresh equity.

The proposed Scheme is subject to the approval of the creditors, CAOHC and the relevant Chinese authorities including the State-Owned Assets Supervisory and Administrative Commission (SASAC) and other relevant regulatory bodies in the various jurisdictions.

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

The Company will convene the creditors’ meeting on 10 June 2005 for creditors to consider and approve, with or without modification, the proposed Scheme.

The meeting will be chaired by Mr Chaly Mah Chee Kheong, Chairman of Deloitte & Touche Financial Advisory Services Pte Ltd. Notice of the Creditors' meeting will be sent by post to creditors and advertised in the English and Chinese language papers in Singapore with a notice period of no less than 14 days.

Messrs Chaly Mah Chee Kheong, Tam Chee Chong and Andrew Grimmett of Deloitte & Touche Financial Advisory Services Pte Ltd will be the Scheme Managers.

Class Action Suit

With reference to media reports of a Class Action Suit (the "Suit") filed in the Southern District Court of New York, the Company would like to reiterate that it has not been served any legal papers with regard to the suit.

Notwithstanding this, the Company would like to state its belief that the Suit should not proceed as the US courts do not have jurisdiction over the Company and the subject matter of the Suit. In addition, the Company is also of the view that it can successfully resist the Suit as currently pleaded. As such, the Company has excluded the Plaintiffs in the Suit from the proposed Scheme.

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