



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

Further to the Company's announcements dated 24, 25 and 30 November 2004, the Board of Directors of China Aviation Oil (Singapore) Corporation Ltd (the "Company") wish to make the following statements. Capitalized terms that are not otherwise defined in this announcement shall bear the meanings given to them in the earlier announcements.

(A) Incurrence of Derivative Trading Losses by the Company

The Exchange, pursuant to Rule 704(12) of the Listing Manual, has required the Company to instruct PricewaterhouseCoopers as special investigative accountant to review and investigate the Company's affairs relating to the incurrence of the loss and its surrounding circumstance, and report its findings to the Exchange ("Special Investigation"). Pending the release of the Special Investigation report, the Company believes it is inappropriate to make any further comments on the circumstances leading to the incurrence of the derivative trading losses by the Company.

(B) Reasons for the delay in disclosing the derivative trading losses

While the Company is aware of the obligations of the Company to disclose the derivative trading losses, the Company's primary concern is to ensure the survivability of the Company in face of the financial crisis. The Directors believe that the interest of the shareholders of the Company would be better served if the Company could put together at least a potential rescue plan when the trading losses is disclosed, as opposed to an immediate disclosure as and when the losses were realised without any solution at hand for the creditor problem. Had this happened, the Directors viewed that the chances of survival of the Company would be greatly diminished, as the Directors would not have any time to find "white knights" for the Company in the confusion and turmoil.

In October 2004, as the prices of crude oil were at an all time high at above US\$55 per barrel, the Company faced significant margin calls on its open positions and did not have the resources to satisfy the margin calls. The Company turned to its parent, China Aviation Oil Holding Company ("CAOHC") for assistance. CAOHC provided an emergency loan of approximately US\$100 million to the Company. This loan quickly proved to be insufficient to satisfy the Company's requirement and CAOHC realized that a more complete rescue proposal would be required. However, in order to undertake such a rescue, CAOHC, as a Chinese state-owned enterprise, needed approvals from various authorities in the People's Republic of China ("PRC") which required certain processes. The mark-to-market losses and the margin call requirements changed from day to day which significantly increased the difficulties of putting together an acceptable rescue proposal.

For the period prior to October 2004, the circumstances leading to the incurrence of the loss and the failure to make the appropriate disclosure is being investigated by the special investigative accountant, and the Company believes it is not appropriate to make any further comments prior to the report by the special investigative accountant.

At the same time, the Company was of the view that bringing in other investors in the restructuring process would enhance shareholder and suppliers' confidence in the restructuring scheme, and much time and effort were expended seeking such investors. The Company will continue its efforts to secure other investors who will contribute to the restructuring effort.

(C) Suspension of trading in Company's Shares

The Directors have requested for suspension of trading in the Company's shares until a satisfactory arrangement has been agreed with the creditors of the Company or a scheme of arrangement of the Company's debts has been sanctioned by the Court. Subject to the confirmation of the Exchange, the trading of the shares of the Company will remain suspended until further notice.

By Order of the Board

Adrian Chang
Company Secretary
30 November 2004

For media information, please contact Mr Gerald Woon, woon@cogentcomms.com (Mobile: +65 9694 8364)