



Acquisition Of The Entire Issued And Paid-Up Capital Of Fortune Aviation Holding Limited

27/07/04

Singapore, 27 July 2004 - Further to the Company's announcements dated 5 and 9 February 2004 on the above matter, the Directors of the Company wish to announce the following. Capitalized terms that are not otherwise defined in this announcement shall bear the meanings given to them in the earlier announcements.

(A) ADJUSTMENTS TO CONSIDERATION

Under the sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 20 January 2004 and entered into between the Company and Fortune Aviation Holding Limited (the "**Vendor**"), the aggregate value of the consideration was RMB 441 million or S\$ 91.88 million (based on an exchange rate of RMB 4.80 = S\$ 1.00), to be satisfied by:-

- (i) a cash payment by the Company to the Vendor of the sum of US\$ 21.7 million (being the equivalent of approximately RMB 180 million based on an exchange rate of RMB 8.28 = US\$ 1.00);
- (ii) the issue and allotment by the Company to the Vendor of 37,760,000 new Shares in the Company at an issue price of S\$ 1.33 per Consideration Share; and
- (iii) the grant by the Company to the Vendor of an option (the "**Option**") to subscribe up to 26,000,000 new shares in the Company at a subscription price of S\$ 1.60 per Option Share, pursuant to an option agreement to be agreed between the parties.

An option agreement (the "**Option Agreement**") was entered into between the Company and the Vendor on 26 March 2004 formalising the terms of the Option.

Under a letter agreement (the "**Supplemental Agreement**") dated 28 April 2004 between the Company and the Vendor, the Company and the Vendor agreed to adjust the Consideration to place the Vendor in the same economic position as if completion of the Acquisition took place on or before the record date for the dividends declared by the Company and the bonus issue (the "**Bonus Issue**") of 276,479,993 new Shares on the basis of 2 Shares for every 5 Shares held in the capital of the Company, both of which were announced on 29 February 2004.

As a result of the Supplemental Agreement, the aggregate value of the consideration was adjusted to RMB 447.34 million (or S\$ 93.20 million, based on an exchange rate of RMB 4.80 = S\$ 1.00), comprising:-

- (i) a cash payment by the Company to the Vendor of the sum of US\$ 21.7 million (being the equivalent of approximately RMB 180 million based on an exchange rate of RMB 8.28 = US\$ 1.00) and an additional cash payment of S\$ 1,321,600, based on the dividend of S\$ 0.035 per Share declared and approved by Shareholders and the original number of 37,760,000 new Shares to be issued as Consideration Shares;
- (ii) the issue and allotment of 52,864,000 new Shares as Consideration Shares (comprising the original 37,760,000 new Shares and an additional 15,104,000 new Shares) at the issue price of S\$ 0.95 per Consideration Share, on the basis that an additional 276,479,999 new Shares were issued pursuant to the Bonus Issue; and
- (iii) the adjustment of the Option to allow for the subscription of up to 36,400,000 new Shares at a revised subscription price of S\$ 1.143 per Option Share.

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the existing Shares of the

Company, except that they shall not rank for any rights, dividends, entitlements or other distributions the record date for which falls on or before the completion date pursuant to the Sale and Purchase Agreement.

The Option Shares, when allotted and issued, will rank *pari passu* in all respects with the existing Shares of the Company, except that they shall not rank for any rights, dividends, entitlements or other distributions the record date for which falls on or before the date of issue of such Option Shares.

(B) UPDATES to the ILLUSTRATIVE FINANCIAL EFFECTS

The Company wishes to advise that the illustrative financial effects of the Acquisition as announced on 5 February 2004 were based on the audited financial statements of the Company and the Vendor for the financial year ended 31 December 2002. Subsequent to the earlier announcements, the Company undertook the Bonus Issue and released its audited accounts for the financial year ended 31 December 2003.

For illustrative purposes only, assuming the Acquisition was completed on 31 December 2003 and based on the audited accounts of the Company and the Vendor for the financial year ended 31 December 2003, the effect of the Acquisition on the net tangible assets of the CAO Group and the net tangible assets per Share (as adjusted to take into account the Bonus Issue) would have been as follows:-

		As per announcement on 5 February 2004	Updated Financial Effects
Net tangible assets of the Group	:	S\$ 176,732,000	S\$ 197,615,000
Net tangible assets of the Vendor	:	S\$ 43,291,000	S\$2,2274
No. of issued shares	:	691,200,000	967,679,9921
No. of Consideration Shares	:	37,760,000	52,864,000
No. of Option Shares	:	26,000,000	36,400,000
Net tangible assets per Share before Acquisition	:	25.57 cents	20.42 cents
Net tangible assets per Share after Acquisition	:	30.18 cents	19.53 cents ²
Net tangible assets per Share after Acquisition	:	34.65 cents	22.79 cents ³

Notes:

1. Number of Shares in issue as at 31 December 2003, after adjusting for the Bonus Issue.
2. Assuming the Option was not exercised and no Option Shares were issued.
3. Assuming the Option was exercised in full on 31 December 2003, at the exercise price of S\$ 1.143 per Option Share.
4. Net tangible assets of the Vendor were originally stated in US Dollars, being US\$ 1,291 and converted into Singapore Dollars, based on an exchange rate of US\$1.00 = S\$1.725.

For illustrative purposes only, assuming the Acquisition was completed on 1 January 2003 and based on the audited accounts of the Company and the Vendor for the financial year ended 31 December 2003, the effect of the Acquisition on the net profits of the CAO Group and the earnings per Share (as adjusted to take into account the Bonus Issue) would have been as follows:-

		As per announcement on 5 February 2004	Updated Financial Effects
Net profits of the Group	:	S\$ 48,224,000	S\$ 54,270,000
Net profits of the Vendor	:	S\$ 4,217,000	S\$1,847,1404
No. of issued shares	:	691,200,000	967,679,9921
No. of Consideration Shares	:	37,760,000	52,864,000
No. of Option Shares	:	26,000,000	36,400,000
Earnings per Share before Acquisition	:	6.98 cents	5.61 cents
Earnings per Share after Acquisition	:	7.19 cents	5.37 cents ²
Earnings per Share after Acquisition	:	6.95 cents	5.18 cents ³

Notes:

1. Number of issued Shares as at 31 December 2003, after adjusting for the Bonus Issue.
2. Assuming the Option in respect of the Option Shares was not exercised and no Option Shares were issued.
3. Assuming the Option in respect of the Option Shares was exercised in full on 1 January 2003, at an exercise price of S\$ 1.143 per Option Share.
4. Net profits of the Vendor were originally stated in US Dollars, being US\$ 1,070,806 and converted into Singapore Dollars based on an exchange rate of US\$1.00 = S\$1.725.

(C) IN-PRINCIPLE APPROVAL GRANTED BY THE SGX-ST

The Company has since its announcements on 5 and 9 February 2004 made an application to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation on the Main Board of the SGX-ST for up to 89,264,000 new Shares (the "**New Shares**") comprising 52,864,000 new Shares to be issued as Consideration Shares and up to 36,400,000 Option Shares.

The Directors of the Company are pleased to announce that the SGX-ST has on 27 July 2004 given its in-principle approval for the listing of and quotation for the New Shares on the Main Board of the SGX-ST.

The in-principle approval granted by the SGX-ST is not to be taken as an indication of the merits of the New Shares, the Acquisition, the Company, its subsidiaries or its securities.

(D) OTHER APPROVALS

The Acquisition is subject to the final approval of the PRC State Assets Management Committee. The Company has since its announcements on 5 and 9 February 2004 made an application to the PRC State Assets Management Committee and expects a decision to be announced in due course.

By order of the Board

Adrian Chang
Company Secretary