



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.

	<b>Group</b>					
	Jul-Sep 05	Jul-Sep 04	inc/(decr)	Jan-Sep 05	Jan-Sep 04	inc/(decr)
	S\$'000	Restated** S\$'000	S\$'000	S\$'000	Restated** 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)
<b>Gross Profit</b>	<b>4,015</b>	<b>20,052</b>	<b>16,037</b>	<b>10,629</b>	<b>32,821</b>	<b>22,192</b>
(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
<b>Profit from operating activities</b>	<b>(13,598)</b>	<b>(328,408)</b>	<b>(314,810)</b>	<b>(30,889)</b>	<b>(414,611)</b>	<b>(383,722)</b>
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
<b>(Loss)/profit before taxation</b>	<b>2,325</b>	<b>(314,602)</b>	<b>(316,927)</b>	<b>(1,392)</b>	<b>(379,034)</b>	<b>(377,642)</b>
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)
<b>Net (loss)/profit after tax</b>	<b>(13)</b>	<b>(317,074)</b>	<b>(317,061)</b>	<b>(7,296)</b>	<b>(386,878)</b>	<b>(379,582)</b>

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 S\$'000	As at Dec 04 S\$'000	incr/(decr) S\$'000	As at Sep 05 S\$'000	As at Dec 04 S\$'000	incr/(decr) S\$'000
<b>Non-current assets</b>						
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
	<u>264,843</u>	<u>228,878</u>	35,965	<u>192,731</u>	<u>192,884</u>	(153)
<b>Current assets</b>						
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)
	<u>75,942</u>	<u>81,770</u>	(5,828)	<u>60,223</u>	<u>75,434</u>	(15,211)
<b>Current liabilities</b>						
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)
	<u>1,010,335</u>	<u>974,077</u>	36,258	<u>1,005,598</u>	<u>973,181</u>	32,417
<b>Net current asset/(liabilities)</b>	<u>(934,393)</u>	<u>(892,307)</u>	(42,086)	<u>(945,375)</u>	<u>(897,747)</u>	(47,628)
<b>Net Assets/(Liabilities)</b>	<u>(669,550)</u>	<u>(663,429)</u>	(6,121)	<u>(752,644)</u>	<u>(704,863)</u>	(47,781)
<b>Equity</b>						
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
	<u>(671,465)</u>	<u>(665,321)</u>	(6,144)	<u>(752,644)</u>	<u>(704,863)</u>	(47,781)
Minority interest	1,915	1,892	23	0	0	0
<b>Equity and Minority Interest</b>	<u>(669,550)</u>	<u>(663,429)</u>	(6,121)	<u>(752,644)</u>	<u>(704,863)</u>	(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.

	<b>Group</b>			
	Jul-Sep 05	Jul-Sep 04 Restated**	Jan-Sep 05	Jan-Sep 04 Restated**
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities :</b>				
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)
<b>Operating profit/(loss) before working capital changes</b>	<b>(13,206)</b>	<b>(331,107)</b>	<b>(33,650)</b>	<b>(420,483)</b>
(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
<b>Cash used in operations</b>	<b>1,670</b>	<b>39,081</b>	<b>5,171</b>	<b>33,437</b>
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
<b>Net cash flows used in operating activities</b>	<b>1,901</b>	<b>39,484</b>	<b>(2,064)</b>	<b>29,889</b>
<b>Cash flows from investing activities</b>				
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
<b>Net cash flows from investing activities</b>	<b>(4,804)</b>	<b>(122)</b>	<b>(1,921)</b>	<b>32,613</b>
<b>Cash flows from financing activities</b>				
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)
<b>Net cash flows generated from/(used in) financing activities</b>	<b>5,500</b>	<b>(5,101)</b>	<b>15,762</b>	<b>239,070</b>
Net effect of exchange rate changes in consolidating subsidiaries	65	0	98	0
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,662</b>	<b>34,261</b>	<b>11,875</b>	<b>301,572</b>
Cash and cash equivalents at beginning of period	13,272	336,064	4,059	68,753
<b>Cash and cash equivalent at end of period</b>	<b>15,934</b>	<b>370,325</b>	<b>15,934</b>	<b>370,325</b>

\*\* 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.

	<b>Group</b>				<b>Company</b>			
	Jul-Sep 05	Jul-Sep 04 Restated**	Jan-Sep 05	Jan-Sep 04 Restated**	Jul-Sep 05	Jul-Sep 04 Restated**	Jan-Sep 05	Jan-Sep 04 Restated**
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Share capital</b>								
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
<b>Share premium</b>								
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
<b>Foreign currency translation reserve</b>								
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
<b>Accumulated profits/(losses)</b>								
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)
<b>Dividend reserve</b>								
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
<b>Total Equity and Reserves</b>	<b>(671,465)</b>	<b>(185,726)</b>	<b>(671,465)</b>	<b>(185,726)</b>	<b>(752,644)</b>	<b>(222,403)</b>	<b>(752,644)</b>	<b>(222,403)</b>

\*\* 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.

	<b>Group</b>			
	<b>Jul-Sep 05</b>	<b>Jul-Sep 04 Restated**</b>	<b>As at Sep 05</b>	<b>As at Sep 04 Restated**</b>
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	
	Sep 05	Dec 04	Sep 05	Dec 04
Net asset value per ordinary share based on issued share capital at the end of the period reported on	(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:
- 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 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

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

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