

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.**

If you have sold or transferred all your shares in the capital of China Aviation Oil (Singapore) Corporation Ltd ("**Company**"), you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



**CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD**

(Incorporated in the Republic of Singapore)  
Company Registration Number: 199303293Z

**CIRCULAR TO SHAREHOLDERS**

**in relation to**

- (1) CONSOLIDATION OF EVERY 5 ORDINARY SHARES INTO 1 ORDINARY SHARE;**
- (2) ISSUE OF SHARES TO CHINA AVIATION OIL HOLDING COMPANY ("CAOHC") (OR AS IT MAY DIRECT) FOR CONVERSION OF DEBT;**
- (3) ISSUE OF SHARES TO BP INVESTMENTS ASIA LIMITED, ARANDA INVESTMENTS PTE. LTD. AND CAOHC FOR CASH;**
- (4) ISSUE OF SHARES TO TRANCHE B CREDITORS (AS DEFINED HEREIN) FOR CONVERSION OF DEBT;**
- (5) APPOINTMENT OF NEW DIRECTORS OF THE COMPANY; AND**
- (6) AMENDMENT OF ARTICLES OF ASSOCIATION**

*Financial Adviser to the Company*

**Deloitte.**

**DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD**

*Independent Financial Adviser*



**KPMG CORPORATE FINANCE PTE LTD**

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	1 March 2006 at 3:30 p.m.
Date and time of Extraordinary General Meeting	:	3 March 2006 at 3:30 p.m. (or as soon thereafter following the conclusion of the Shareholders' Scheme meeting referred to in this Circular (or its adjournment thereof))
Place of Extraordinary General Meeting	:	Hall 8, Singapore Expo, 1 Expo Drive, Singapore 486150

## CORPORATE INFORMATION

**Board of Directors** : (1) Jia Changbin (*Non-Executive Chairman*)  
(2) Gu Yanfei (*Non-Executive Director & Head, Special Task Force*)  
(3) Li Yongji (*Non-Executive Director*)  
(4) Zhang Lianxi (*Non-Executive Director*)  
(5) Chen Kaibin (*Non-Executive Director*)  
(6) Jerry Lee Kian Eng (*Independent Director*)  
(7) Tan Hui Boon (*Independent Director*)  
(8) Dr Yan Xuetong (*Independent Director*)  
(9) \*Chen Jiulin (*Managing Director & Chief Executive Officer*)

*\* Under suspension*

**Company Secretary** : Adrian Mark Chang Choon Siew (CPA)  
Anne Skading (ACIS)

**Registered Office** : 8 Temasek Boulevard  
#31-02 Suntec Tower Three  
Singapore 038988

**Share Registrar and Share Transfer office** : Lim Associates (Pte) Ltd  
10 Collyer Quay  
#19-08 Ocean Building  
Singapore 049315

**Financial Adviser in relation to the equity issuance under the Restructuring Plan** : Deloitte & Touche Corporate Finance Pte Ltd  
6 Shenton Way  
#32-00 DBS Building Tower Two  
Singapore 068809

**Auditors** : Ernst & Young  
Certified Public Accountants  
10 Collyer Quay  
#21-01 Ocean Building  
Singapore 049315

**Legal Adviser** : Rajah & Tann  
4 Battery Road  
#26-01 Bank of China Building  
Singapore 049908

**Independent Financial Adviser** : KPMG Corporate Finance Pte Ltd  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

## CONTENTS

<b>DEFINITIONS .....</b>	<b>1</b>
<b>INDICATIVE DATES AND TIMES IN RELATION TO SHAREHOLDERS' SCHEME MEETING AND EGM .....</b>	<b>6</b>
<b>LETTER TO SHAREHOLDERS .....</b>	<b>7</b>
1. INTRODUCTION .....	7
2. SUMMARY OF THE COMPANY'S RECENT DEVELOPMENTS SINCE 30 NOVEMBER 2004.....	8
3. FY2004 AUDITED, AND FY2005 FIRST, SECOND AND THIRD QUARTERLY UNAUDITED, FINANCIAL STATEMENTS .....	11
4. RESTRUCTURING PLAN.....	12
5. SHARE CONSOLIDATION .....	16
6. ISSUE OF SHARES TO CAOHC, BP AND ARANDA .....	18
7. CREDITORS' SHARE INVITATION.....	24
8. SHAREHOLDERS' SCHEME .....	26
9. APPOINTMENT OF NEW DIRECTORS.....	28
10. AMENDMENT OF ARTICLES OF ASSOCIATION.....	29
11. ODD LOTS TRADING AND DESIGNATED BROKER .....	29
12. POST-RESTRUCTURING PLAN BUSINESS STRATEGIES .....	30
13. RISK FACTORS.....	30
14. MORATORIUM BY CAOHC AND BP.....	35
15. SPECIAL TASK FORCE AND TRANSITIONAL MANAGEMENT TEAM.....	35
16. RISK MANAGEMENT POLICIES AND INTERNAL CONTROL PROCEDURES.....	36
17. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS .....	39
18. FINANCIAL ADVISER.....	39
19. INDEPENDENT FINANCIAL ADVISER.....	40
20. DIRECTORS' RECOMMENDATION .....	40
21. EXTRAORDINARY GENERAL MEETING.....	40
22. ACTION TO BE TAKEN BY SHAREHOLDERS .....	40
23. INTERCONDITIONALITY .....	41
24. DIRECTORS' RESPONSIBILITY STATEMENT.....	41
<b>APPENDIX I ADDITIONAL INFORMATION .....</b>	<b>I-1</b>
<b>APPENDIX II PRE AND POST-RESTRUCTURING PLAN SHARE CAPITAL STRUCTURE .....</b>	<b>II-1</b>
<b>APPENDIX III .....</b>	<b>III-1</b>
I. EFFECT OF RESTRUCTURING PLAN ON SHARE CAPITAL OF THE GROUP .....	III-1
II. EFFECT OF RESTRUCTURING PLAN ON NTA PER SHARE, EPS AND GEARING OF THE GROUP .....	III-1
<b>APPENDIX IV SALIENT TERMS OF THE BUSINESS CO-OPERATION AGREEMENT .....</b>	<b>IV-1</b>
<b>APPENDIX V LETTERS FROM INDEPENDENT FINANCIAL ADVISER.....</b>	<b>V-1</b>

<b>APPENDIX VI INFORMATION ON MATERIAL LITIGATION OF THE COMPANY .....</b>	<b>VI-1</b>
<b>APPENDIX VII INFORMATION ON THE PROPOSED NEW DIRECTORS OF THE COMPANY .....</b>	<b>VII-1</b>
<b>APPENDIX VIII PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION .....</b>	<b>VIII-1</b>
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING.....</b>	<b>N-1</b>
<b>PROXY FORM</b>	

---

## DEFINITIONS

---

For the purposes of this Circular, the following definitions shall apply throughout unless the context otherwise requires:

### **Group Companies**

“CAOT”	: CAOT Pte. Ltd., a wholly-owned subsidiary of the Company
“Company”	: China Aviation Oil (Singapore) Corporation Ltd
“Group”	: The Company and its subsidiaries
“Group Company”	: Any company within the Group
“Xinyuan”	: China Aviation Oil Xinyuan Petrochemical Co. Ltd, a subsidiary of the Company

### **Other Companies, Organisations and Agencies**

“Aranda”	: Aranda Investments Pte. Ltd., an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited
“Authority”	: Monetary Authority of Singapore
“BP”	: BP Investments Asia Limited, a wholly-owned subsidiary of BP Global Investments Limited
“BPS”	: BP Singapore Pte Ltd, a wholly-owned subsidiary of BP PLC
“CAOHC”	: China Aviation Oil Holding Company, the holding company of the Company
“CAOSC”	: China Aviation Oil Supply Corporation
“CDP”	: The Central Depository (Pte) Limited
“CLH”	: Compania Logistica de Hidrocarburos CLH, S.A.
“Depository Agent”	: A corporation authorised by CDP to maintain Sub-Accounts
“Financial Adviser” or “DTCF”	: Deloitte & Touche Corporate Finance Pte Ltd, the financial adviser of the Company in relation to the equity issuance under the Restructuring Plan
“Independent Financial Adviser” or “KPMG Corporate Finance”	: KPMG Corporate Finance Pte Ltd, the independent financial adviser to the Independent Directors in relation to the issue of the CAOHC Investment Shares and CAOHC Conversion Shares, and the Business Co-operation Agreement
“PWC”	: PricewaterhouseCoopers
“Satya”	: Satya Capital Limited
“SGX-ST”	: The Singapore Exchange Securities Trading Limited
“SPIA”	: Shanghai Pudong International Airport Aviation Fuel Supply Co., Ltd
“Temasek”	: Temasek Holdings (Private) Limited

### **General**

“Act”	: The Companies Act, Chapter 50, of Singapore (as amended or modified from time to time)
“AGM”	: Annual General Meeting
“Aranda Investment Shares”	: Has the meaning ascribed to it in paragraph 6.18 of this Circular

---

## DEFINITIONS

---

<i>“associate”</i>	: (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and</li></ul> <p>(b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more</p>
<i>“Board” or “Directors”</i>	: The directors of the Company
<i>“BP Investment Shares”</i>	: Has the meaning ascribed to it in paragraph 6.2(b) of this Circular
<i>“Business Co-operation Agreement”</i>	: The conditional business co-operation agreement dated 5 December 2005 made between the Company, CAOHC and BPS, details of which are set out in Section 6(III) and <u>Appendix IV</u> of this Circular
<i>“CAOHC Conversion Shares”</i>	: Has the meaning ascribed to it in paragraph 6.2(c) of this Circular
<i>“CAOHC Dividend Conversion Shares”</i>	: 2,709,843 new Shares (subsequent to the Share Consolidation), arising from the conversion of the balance dividend of US\$824,777 owing to CAOHC (after waiver)
<i>“CAOHC Investment Shares”</i>	: Has the meaning ascribed to it in paragraph 6.2(a) of this Circular
<i>“CAOHC Shareholder’s Loan Conversion Shares”</i>	: 27,171,435 new Shares (subsequent to the Share Consolidation), arising from the conversion of the balance shareholder’s loan of US\$8,269,985 owing to CAOHC (after waiver), to be issued and allotted on an <i>ex-gratia</i> basis and <i>pro-rata</i> to the Scheme Shareholders under the Shareholders’ Scheme
<i>“Completion”</i>	: Completion of the subscription, and the issue and allotment of Shares, under the Investment Agreement and Subscription Agreement, respectively
<i>“Completion Date”</i>	: The date on which Completion takes place
<i>“Creditors”</i>	: Creditors of the Company under the Creditors’ Scheme
<i>“Creditors’ Invitation Shares”</i>	: 72,282,000 new Shares of the Company (subsequent to the Share Consolidation), representing approximately 10% of the Post-Restructuring Plan Share Capital, to be issued and allotted by the Company to the Tranche B Creditors who are allocated Creditors’ Invitation Shares pursuant to the Creditors’ Share Invitation
<i>“Creditors’ Pay-Out”</i>	: Has the meaning ascribed to it in paragraph 2.4(b) of this Circular

---

## DEFINITIONS

---

- “Creditors’ Scheme”* : The scheme of arrangement dated 24 May 2005 between the Company and the Creditors as approved by the Creditors on 8 June 2005 and sanctioned by the High Court of Singapore on 13 June 2005
- “Creditors’ Share Invitation”* : The invitation by the Company to the Tranche B Creditors to subscribe for the Creditors’ Invitation Shares, details of which are set out in Section 7 of this Circular
- “Deferred Debt”* : Has the meaning ascribed to it in the Creditors’ Scheme
- “Effective Date”* : The date that the proposed Shareholders’ Scheme shall take effect, being the date on which an office copy of the Order of Court sanctioning the Shareholders’ Scheme is lodged with the Registrar of Companies
- “EGM”* : The forthcoming extraordinary general meeting of the Company (or any adjournment thereof) to seek Shareholders’ approval for the resolutions set out in the EGM Notice
- “EGM Notice”* : The notice of EGM set out in pages N-1 to N-6 of this Circular
- “EPS”* : Earnings per Share
- “Fixed Exchange Rate”* : Fixed US\$:S\$ exchange rate of 1.6920573
- “FY”* : Financial year ending or ended 31 December (as the case may be)
- “G30”* : The Group Of Thirty, a private, non-profit, international body composed of very senior representatives of the private and public sectors and academia with the aims of deepening understanding of international economic and financial issues, exploring the international repercussions of decisions taken in the public and private sectors, and examining the choices available to market practitioners and policymakers (with its website at [www.group30.org](http://www.group30.org))
- “G30 Recommendations”* : The recommendations set out in the Special Report on *Global Derivatives: Practices & Principles* issued by the G30 in 1993 for managing the risks associated with trading in derivatives, as expanded upon by the *Study Group Report: Enhancing Public Confidence in Financial Reporting* issued by the G30 in 2003
- “Independent Directors”* : The Directors of the Company who are considered independent in relation to the proposed issue of the CAOHC Investment Shares and CAOHC Conversion Shares, and the Business Co-Operation Agreement, namely Jerry Lee Kian Eng, Tan Hui Boon and Dr Yan Xuetong
- “Investment Agreement”* : The conditional investment agreement dated 5 December 2005 made between the Company, CAOHC and BP in relation to, *inter alia*, the subscription of Shares in the Company by CAOHC and BP
- “Issue Price”* : S\$0.515 per Share (or approximately US\$0.3044, based on the Fixed Exchange Rate)
- “Latest Practicable Date”* : 2 February 2006, being the latest practicable date prior to printing of this Circular
- “Listing Manual”* : The SGX-ST Listing Manual
- “MAS Settlement”* : Has the meaning ascribed to it in paragraph 2.9 of this Circular
- “NTA”* : Net tangible assets

---

## DEFINITIONS

---

- “Post-Restructuring Plan Share Capital”* : The enlarged share capital of the Company post-Restructuring Plan, assuming the implementation of the Restructuring Plan in its entirety and the issue and allotment by the Company of the CAOHC Investment Shares, CAOHC Conversion Shares, BP Investment Shares, Aranda Investment Shares and Creditors’ Invitation Shares
- “PRC”* : The People’s Republic of China
- “Procurement Arrangements”* : Has the meaning ascribed to it in paragraph 6.9 of this Circular
- “Procurement Committee”* : Has the meaning ascribed to it in paragraph 5(a) of Appendix IV of this Circular
- “Procurement Period”* : Has the meaning ascribed to it in paragraph 1 of Appendix IV of this Circular
- “Restructuring Plan”* : Has the meaning ascribed to it in paragraph 4.1 of this Circular
- “Scheme Shareholders”* : The persons who are Shareholders as at the Shareholders’ Scheme Books Closure Date (excluding CAOHC and its associates, if any) and entitled to the CAOHC Shareholder’s Loan Conversion Shares under the Shareholders’ Scheme
- “Securities Account”* : A securities account maintained by a Depositor with CDP but not including a securities sub-account
- “SFA”* : The Securities and Futures Act, Chapter 289, of Singapore (as amended or modified from time to time)
- “Share Consolidation”* : Has the meaning ascribed to it in paragraph 5.1 of this Circular
- “Share Consolidation Books Closure Date”* : **6 March 2006 at 5:00 p.m.**, being the date and time the Transfer Books and Register of Members of the Company will be closed in order to determine the holdings of Shareholders arising from the Share Consolidation. The Share Consolidation Books Closure Date is on the same date as the Shareholders’ Scheme Books Closure Date
- “Shares”* : (As the context may admit) ordinary shares in the capital of the Company as at the date hereof, or subsequent to the Share Consolidation
- “Shareholders”* : The registered holders of the Shares except that where the registered holder is CDP, the term *“Shareholders”* shall, in relation to those Shares, mean the Depositors whose Securities Accounts are credited with those Shares
- “Shareholders’ Agreement”* : The shareholders’ agreement dated 5 December 2005 made between CAOHC and BP to govern their rights and obligations *vis-à-vis* each other as shareholders of the Company
- “Shareholders’ Record Date”* : **3 February 2006 at 5:00 p.m.**, being the date and time the Transfer Books and Register of Members of the Company were closed in order to determine the Shareholders as at such date for the purpose of giving the notice of the Shareholders’ Scheme meeting to such Shareholders, which date has been announced by the Company on 27 January 2006
- “Shareholders’ Scheme”* : Has the meaning ascribed to it in paragraph 8.1 of this Circular



---

## DEFINITIONS

---

- “Shareholders’ Scheme Books Closure Date”* : **6 March 2006 at 5:00 p.m.**, being the date and time the Transfer Books and Register of Members of the Company will be closed in order to determine the entitlement of Shareholders under the Shareholders’ Scheme (if approved) to the CAOHC Shareholder’s Loan Conversion Shares. The Shareholders’ Scheme Books Closure Date is on the same date as the Share Consolidation Books Closure Date
- “Special Task Force”* : The special task force appointed by the Board to manage the critical affairs of the Company, including to restructure and rehabilitate the Company, and to assist in any investigation thereof
- “Sub-Accounts”* : The securities sub-accounts maintained by each Depository Agent in respect of securities held for its own account and for the account of its clients
- “Subscription Agreement”* : The conditional subscription agreement dated 5 December 2005 made between the Company, CAOHC and Aranda in relation to, *inter alia*, the subscription of Shares in the Company by CAOHC and Aranda
- “Tranche B Creditors”* : Creditors under the Creditors’ Scheme who hold Tranche B Debt
- “Tranche B Debt”* : Has the meaning ascribed to it in the Creditors’ Scheme

### **Currencies and Units**

- “RMB”* : PRC Renminbi
- “S\$” or “SGD” and “cents”* : Singapore dollars and cents respectively
- “US\$” or “US dollars”* : United States dollars
- “%” or “percent”* : Per centum or percentage

The terms *“Depositor”* and *“Depository Register”* shall have the meanings ascribed to them respectively in Section 130A of the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Act or any statutory modification thereof and not otherwise defined in the Circular shall have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

---

**INDICATIVE DATES AND TIMES IN RELATION TO  
SHAREHOLDERS' SCHEME MEETING AND EGM**

---

**Dates and Time**

- |     |  |   |
|-----|--|---|
| (1) | Shareholders' Record Date  | 3 February 2006 at 5:00 p.m.  |
| (2) | Shareholders' Scheme meeting to vote on Shareholders' Scheme                       | 3 March 2006 at 2:00 p.m.   |
| (3) | EGM  | 3 March 2006 at 3:30 p.m. (or as soon thereafter following the conclusion of the Shareholders' Scheme meeting (or its adjournment thereof)) |
| (4) | Share Consolidation Books Closure Date and Shareholders' Scheme Books Closure Date | 6 March 2006 at 5:00 p.m.   |

---

## LETTER TO SHAREHOLDERS

---

### CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

(Incorporated in the Republic of Singapore)

Company Registration No. 199303293Z

#### Directors:

Jia Changbin (*Non-Executive Chairman*)  
Gu Yanfei (*Non-Executive Director & Head, Special Task Force*)  
Li Yongji (*Non-Executive Director*)  
Zhang Lianxi (*Non-Executive Director*)  
Chen Kaibin (*Non-Executive Director*)  
Jerry Lee Kian Eng (*Independent Director*)  
Tan Hui Boon (*Independent Director*)  
Dr Yan Xuetong (*Independent Director*)  
\*Chen Jiulin (*Managing Director & Chief Executive Officer*)

#### Registered Office:

8 Temasek Boulevard  
#31-02 Suntec Tower Three  
Singapore 038988

\* *Under suspension*

8 February 2006

To: **SHAREHOLDERS OF THE COMPANY**

Dear Shareholders,

- (1) **CONSOLIDATION OF EVERY 5 ORDINARY SHARES INTO 1 ORDINARY SHARE;**
- (2) **ISSUE OF SHARES TO CHINA AVIATION OIL HOLDING COMPANY ("CAOHC") (OR AS IT MAY DIRECT) FOR CONVERSION OF DEBT;**
- (3) **ISSUE OF SHARES TO BP INVESTMENTS ASIA LIMITED, ARANDA INVESTMENTS PTE. LTD. AND CAOHC FOR CASH;**
- (4) **ISSUE OF SHARES TO TRANCHE B CREDITORS (AS DEFINED HEREIN) FOR CONVERSION OF DEBT;**
- (5) **APPOINTMENT OF NEW DIRECTORS OF THE COMPANY; AND**
- (6) **AMENDMENT OF ARTICLES OF ASSOCIATION**

#### 1. INTRODUCTION

1.1 On 30 November 2004, the Company announced, *inter alia*, that:

- (a) it had suffered significant losses from speculative oil derivatives trading, and that it had, on 29 November 2004, applied for and obtained an order from the High Court of Singapore pursuant to Section 210 of the Act to convene a meeting of its Creditors to consider a proposed scheme of arrangement;
- (b) it had suspended the duties of its chief executive officer, Chen Jiulin;
- (c) it had appointed a Special Task Force, led by Madam Gu Yanfei, General Manager, Investment Department of CAOHC and Director of the Company, to manage the critical affairs of the Company, including to restructure and rehabilitate the Company, and to assist in any investigation thereof;
- (d) it had appointed, under the direction of the SGX-ST, PWC, as special investigative accountant to review and investigate the Company's affairs relating to the incurrence of the loss and its surrounding circumstances for report to the SGX-ST; and
- (e) trading of the Company's Shares on the SGX-ST had been suspended, at the request of the Company.

---

## LETTER TO SHAREHOLDERS

---

- 1.2 Since then, the Company, led by the Special Task Force and supported by CAOHC, has deployed substantial efforts and resources to restructure its debts and equity with a view to rehabilitating itself as a going concern.
- 1.3 The Company is presently acting as an investment holding company. The Company incorporated a wholly-owned subsidiary, CAOT, after it commenced its debt and equity restructuring exercise, to carry on the core business of jet fuel procurement. CAOT acts as an agent buyer of aviation fuel in the PRC, and organises, conducts and advises on jet fuel tender exercises amongst major aviation fuel suppliers. CAOT thereby generates commission income while keeping alive the business of jet fuel procurement within the Company.
- 1.4 On 5 December 2005, the Company announced its Restructuring Plan to rehabilitate itself as a going concern, and in connection therewith, entered into:
- (a) a conditional investment agreement with CAOHC and BP, a wholly-owned subsidiary of BP Global Investments Limited, in relation to their proposed investment in the Company; and
  - (b) a conditional subscription agreement with Aranda, an indirect wholly-owned subsidiary of Temasek, in relation to its proposed subscription of Shares in the Company.

A copy of the announcement of the Company dated 5 December 2005 on its Restructuring Plan is available for downloading on the SGX-ST website at [www.sgx.com](http://www.sgx.com).

- 1.5 On 5 December 2005, the Company also announced its FY2004 audited financial statements. The Group incurred a net loss of S\$864.8 million for FY2004, which losses were mainly attributable to the massive losses suffered by the Company from its speculative oil derivatives trading activities. The net loss on derivatives trading of S\$884.8 million included net losses on the trading of options of S\$894.5 million and net gains on the trading of other derivatives of S\$9.7 million. A copy of the announcement of the Company dated 5 December 2005 on its FY2004 audited financial statements is available for downloading on the SGX-ST website at [www.sgx.com](http://www.sgx.com).
- 1.6 On 8 December 2005, the Company announced its FY2005 first, second and third quarterly unaudited financial statements. The Group incurred a net loss after tax of S\$7.3 million for the nine months ended September 2005, compared to a net loss after tax of S\$386.9 million for the same period in FY2004. A copy of the announcement of the Company dated 8 December 2005 on its FY2005 first, second and third quarterly unaudited financial statements is available for downloading on the SGX-ST website at [www.sgx.com](http://www.sgx.com).
- 1.7 Purpose of Circular. The purpose of this Circular is to provide Shareholders with relevant information relating to the Restructuring Plan proposed to be implemented by the Company, and to seek Shareholders' approval for the resolutions relating to the Restructuring Plan to be proposed at the EGM, as set out in the EGM Notice.

## 2. SUMMARY OF THE COMPANY'S RECENT DEVELOPMENTS SINCE 30 NOVEMBER 2004

### Establishment of CAOT

- 2.1 Subsequent to the announcement of the financial difficulties arising from the substantial losses of the Company, and in order to continue its business of jet fuel procurement, the Company on 9 December 2004 set up a wholly-owned subsidiary, CAOT, for the purpose of carrying on the business of jet fuel procurement on an agency basis. CAOT commenced its jet fuel procurement business on 13 December 2004. In December 2004, the Company:
- (a) signed a services agreement with CAOHC and CAOT for the provision of certain services, namely, the use of the Company's premises, including working space and facilities, to CAOT for a fee;

---

## LETTER TO SHAREHOLDERS

---

- (b) seconded certain employees to CAOT with costs to be borne by CAOT; and
  - (c) entered into a trust deed for CAOHC to provide financial resources on a needs basis, to be held in trust for CAOT to carry on its business of jet fuel procurement.
- 2.2 CAOT also entered into separate agency agreements with CAOSC Aviation Oil Co., Ltd, SPIA and South China Bluesky Aviation Oil Co. Ltd in December 2004 to be appointed as their agent for jet fuel procurement, for which services it will be paid commissions. CAOSC Aviation Oil Co., Ltd is a wholly-owned subsidiary of CAOHC, and supplies jet fuel exclusively to Beijing Airport. SPIA is a joint venture company of Shanghai Pudong Airport (40%), the Company (33%) and Sinopec Gaoqiao Refinery (27%), and supplies jet fuel exclusively to Shanghai International Airport. South China Bluesky Aviation Oil Co. Ltd is held by Fortune Aviation Holding Limited (24.5%), BP Global Investments Limited (24.5%) and CAOSC (51%), and owns the jet fuel supply infrastructure in various airports in the PRC.

### Creditors' Scheme

- 2.3 On 24 January 2005, the Company filed its proposal for a creditors' scheme of arrangement with the High Court of Singapore. Based on feedback from the Creditors, the Company revised the proposal on 12 May 2005, which improved overall recovery value for Creditors. The Creditors' Scheme was filed with the High Court of Singapore on 24 May 2005, and on 8 June 2005, approximately 97% both in number and value of Creditors present and voting at the Creditors' meeting voted in favour of the Creditors' Scheme. The Company obtained the sanction of the High Court to the Creditors' Scheme on 13 June 2005.
- 2.4 Under the Creditors' Scheme, it was contemplated, *inter alia*, that:
- (a) There would be a cash injection of US\$130 million from CAOHC and new strategic investor(s) into the Company, and US\$30 million of the investment will be used for the working capital of the Company and the balance US\$100 million used as part of the upfront cash distribution to Creditors under the Creditors' Scheme (excluding CAOHC).
  - (b) Creditors under the Creditors' Scheme (other than CAOHC) would receive cash distribution ("**Creditors' Pay-Out**") of:
    - (i) US\$100 million derived from the aforesaid cash injection; and
    - (ii) US\$30 million derived from the existing assets of the Company.
  - (c) The balance debt owing to Creditors (excluding CAOHC) after the Creditors' Pay-Out would be restructured, deferred and repaid to them with interest over a 5 year period, which repayment and payment will be guaranteed by CAOHC. The balance amount of debt owing would be waived by Creditors. Certain of BP's affiliates are also Creditors under the Creditors' Scheme.
  - (d) CAOHC would waive not less than 55% of the outstanding shareholder's loan and outstanding dividend owing to it and convert the remaining amount into Shares of the Company.
- 2.5 A copy each of the Company's announcements of 12 May 2005 and 24 May 2005 on the Creditors' Scheme is available for downloading on the Company's website at [www.caosco.com](http://www.caosco.com).

### PWC Findings

- 2.6 On 29 March 2005, the Company announced PWC's Statement of Phase 1 Findings, in relation to its review and investigation into the Company's affairs relating to the incurrence of its significant losses and the surrounding circumstances thereof. On 3 June 2005, the Company announced the further findings of PWC pursuant to completion of its investigations into the Company. A copy of

---

## LETTER TO SHAREHOLDERS

---

the Company's announcements of 29 March 2005 and 3 June 2005 is available for downloading on the Company's website at [www.caosco.com](http://www.caosco.com).

### Legal Action by Singapore Authorities

- 2.7 The Company's suspended chief executive officer, Chen Jiulin, its head of Finance Division, Peter Lim and three of its non-executive Directors, Jia Changbin, Li Yongji and Gu Yanfei, were charged in court on 9 June 2005 for offences under the Act, the SFA and the Penal Code (Cap. 224). Actions by the authorities against these persons are still pending as at the Latest Practicable Date.

### Corporate Governance Assessment Committee

- 2.8 On 30 June 2005, the Company appointed a Corporate Governance Assessment Committee to improve the corporate governance and management of the Company. The Committee comprises Lim Jit Poh, Wang Kai Yuen, Lee Suet Fern, Gu Yanfei and Meng Fanqiu, with the following terms of reference: (a) to review and make recommendations to the Board on changes or improvements to be made to the Company's risk management systems and the strengthening of corporate governance within the Company; (b) to review and make recommendations to the Board on the Board and management and staffing structure; and (c) to review and make recommendations to the Board on the corporate policies and protocols and systems in the Company. The Company announced the receipt of the Corporate Governance Assessment Committee's report on 12 December 2005 and its affirmations of the recommendations therein on 21 December 2005. A copy each of these announcements is available for downloading on the Company's website at [www.caosco.com](http://www.caosco.com).

### CAOHC Settlement with the Authority

- 2.9 On 19 August 2005, the Company announced that CAOHC had entered into a civil penalty settlement with the Authority for contravening the insider trading provisions of the SFA in relation to its share placement of the Company's Shares on 21 October 2004 ("**MAS Settlement**"). As part of the settlement, CAOHC agreed to pay S\$8 million to the Authority, and transfer to the Company's other Shareholders the CAOHC Shareholder's Loan Conversion Shares arising from the balance amount of shareholder's loan owed by the Company to CAOHC (after waiver).

### Voluntary Liquidation of Subsidiary

- 2.10 On 16 September 2005, the Company announced the members' voluntary liquidation of its wholly-owned subsidiary, Greater China Travel Industry (Singapore) Pte Ltd, as it is a non-core business of the Company. Subsequent thereto, the Company's subsidiaries comprises Xinyuan, CAOT and China Aviation Oil Spain, S.A., which is a dormant company incorporated in Spain.

### Investments by CAOHC, BP and Aranda

- 2.11 On 5 December 2005, the Company announced its Restructuring Plan, and in connection therewith, entered into conditional agreements with CAOHC, BP and Aranda in relation to their investment and subscription of Shares in the Company. A copy of the announcement of the Company dated 5 December 2005 on its Restructuring Plan is available for downloading on the SGX-ST website at [www.sgx.com](http://www.sgx.com). Further information on the Restructuring Plan is set out in Section 4 of this Circular.

### Creditors' Share Invitation

- 2.12 On 9 December 2005, the Company lodged with the Authority its Offer Information Statement in relation to the Creditors' Share Invitation to Tranche B Creditors, and commenced the Creditors' Share Invitation. A copy of the Company's announcement dated 9 December 2005 on the lodgement of the Offer Information Statement is available for downloading on the Company's website at [www.caosco.com](http://www.caosco.com).

---

## LETTER TO SHAREHOLDERS

---

2.13 On 28 December 2005, the Creditors' Share Invitation closed, and based on applications received, was oversubscribed. A copy of the Company's announcement dated 4 January 2006 on the subscription by Tranche B Creditors is available for downloading on the Company's website at [www.caosco.com](http://www.caosco.com).

### 3. FY2004 AUDITED, AND FY2005 FIRST, SECOND AND THIRD QUARTERLY UNAUDITED, FINANCIAL STATEMENTS

#### *FY2004 Financial Statements*

- 3.1 On 5 December 2005, the Company announced its FY2004 audited financial statements. The Company's AGM to approve, *inter alia*, the FY2004 audited financial statements, is scheduled on 3 February 2006.
- 3.2 The Group incurred a net loss of S\$864.8 million for FY2004 compared to a net profit after tax of S\$54 million for FY2003. The losses were mainly attributable to the massive losses suffered by the Company from its speculative oil derivatives trading activities. The net loss on derivatives trading of S\$884.8 million included net losses on the trading of options of S\$894.5 million and net gains on the trading of other derivatives of S\$9.7 million.
- 3.3 Revenue for FY2004 was S\$3.08 billion, reflecting an increase of nearly 28.4% compared with FY2003, largely contributed by the increase in volume of jet fuel traded in all four consecutive quarters coupled by the continual oil prices increase over the same period. Modest growth and contributions on the physical products from international trading led to the improved gross profit of S\$41.5 million for FY2004 compared to S\$19.8 million for FY2003.
- 3.4 The Group also reported a foreign exchange gain of S\$17 million, arising from the favourable exchange rate movements between the date of recognition of the liabilities in November 2004 and year end rate. Interest income grew by 123% in FY2004 compared with FY2003. Excess cash balance above the working capital requirements coupled with the availability of the US\$160 million syndicated loan that was drawn down in June 2004 contributed to the increase in interest income from S\$1.2 million in 2003 to S\$2.6 million in 2004. However, there was also the corresponding increase in interest payment to service the syndicated loan, from S\$1 million in 2003 to approximately S\$6 million in 2004.
- 3.5 In the fourth quarter of FY2004, the Company received the second distribution of net dividend income of S\$7.2 million from its investment stake in CLH, aggregating to approximately S\$9.5 million net dividend income for FY2004. This represented a S\$3.6 million (approximately 27.7%) decline compared to FY2003 when there were a total of 3 dividend receipts.
- 3.6 A major component of the operating costs in FY2004 fourth quarter was an admission of S\$45.9 million as final settlement for Satya claims against the Company and CAOHC (please see [Appendix VI](#) for information on the claims and settlement thereof).
- 3.7 In FY2004 fourth quarter, based on an assessment report by an accredited independent valuer, Colliers International Consultancy & Valuation (Singapore) Pte Ltd, engaged by the Company, the fair value of the 2 leasehold office premises owned by the Company at 8 Temasek Boulevard, #31-02 Suntec Tower Three, Singapore 038988 was adjusted downwards, resulting in an impairment charge of S\$6.4 million.
- 3.8 The Group's share of results before tax from its associated company, SPIA, increased from S\$34.5 million in 2003 to S\$46.9 million, an increase of nearly 36.1% on a year-on-year comparison.
- 3.9 Despite the significant accounting losses incurred by the Group in FY2004, the Group is still liable for tax expense reflecting under-provision of tax in prior years, withholding tax and its share of tax of its associated company. There was a write-back of provision for doubtful debt, which amounted to S\$3.4 million, as the Company considers the general provision as no longer relevant since all

---

## LETTER TO SHAREHOLDERS

---

the outstanding receivables were either recovered or adequate provisions had been made for the specific debts written off.

- 3.10 It has been noted in the extract of the auditors' report dated 5 December 2005 attached to the Company's FY2004 financial statements that the losses of the Group and the conditions to the implementation of the Restructuring Plan indicate that there is material uncertainty which may cast doubt about the ability of the Group and the Company to continue as going concerns. The ability of the Group and Company to meet their financial obligations to continue as going concerns depend on the implementation of the Restructuring Plan as well as the Group generating sufficient positive cash flows from its operations post-Restructuring Plan. If the Group or Company is unable to continue in operational existence for the foreseeable future, they may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify long-term assets and liabilities as current assets and liabilities. No such adjustments have been made to the FY2004 financial statements of the Company.
- 3.11 A copy each of the announcement of the Company dated 5 December 2005 on its FY2004 audited financial statements, and the annual report of the Company for FY2004, is available for downloading on the SGX-ST website at [www.sgx.com](http://www.sgx.com).

### FY2005 First, Second and Third Quarterly Unaudited Financial Statements

- 3.12 On 8 December 2005, the Company announced its FY2005 first, second and third quarterly unaudited financial statements. The Group incurred a net loss after tax of S\$7.3 million for the nine months ended September 2005, compared to a net loss after tax of S\$386.9 million for the same period in FY2004.
- 3.13 The primary source of revenue in FY2005 is from commissions earned by CAOT for carrying out the business of jet fuel procurement on an agency basis. There were substantial current liabilities (largely creditors) denominated in US dollars, which on translation into Singapore dollars as of September 2005, resulted in material foreign exchange losses of S\$26.7 million, due to the further strengthening of the US dollar against the Singapore dollar. Professional fees of S\$11.7 million relating to legal advisers and financial advisers (both local and overseas) including the engagement of services by special investigative accountant (PWC) for their respective involvements with the corporate restructuring efforts were accounted for in the operating costs.
- 3.14 Pending the implementation of the Restructuring Plan the Company continues to accrue finance costs comprised mainly of interest charges in servicing the US\$160 million syndicated loan and bank overdrafts. The Company's 33% share of the results of SPIA contributed approximately S\$36.6 million to the Group's profit before tax.
- 3.15 A copy of the announcement of the Company dated 8 December 2005 on its FY2005 first, second and third quarterly unaudited financial statements is available for downloading on the SGX-ST website at [www.sgx.com](http://www.sgx.com).

## 4. RESTRUCTURING PLAN

- 4.1 The proposed restructuring plan of the Company ("**Restructuring Plan**") is an overall debt and equity restructuring exercise aimed at rehabilitating the Company as a going concern and lifting the suspension of trading of the Company's Shares on the SGX-ST.
- 4.2 The Restructuring Plan encompasses, *inter alia*, the implementation of the following:
- (a) the Creditors' Scheme, details of which are set out in Section 2 of this Circular;



---

## LETTER TO SHAREHOLDERS

---

- (b) the Share Consolidation, details of which are set out in Section 5 of this Circular;
- (c) the issue of new Shares of the Company to:
  - (i) CAOHC in consideration of its cash injection pursuant to the Investment Agreement and Subscription Agreement, and CAOHC's debt conversion (after waiver), details of which are set out in Section 6 of this Circular;
  - (ii) BP in consideration of its cash injection, pursuant to the Investment Agreement, details of which are set out in Section 6 of this Circular;
  - (iii) Aranda in consideration of its cash injection, pursuant to the Subscription Agreement, details of which are set out in Section 6 of this Circular; and
  - (iv) Certain Tranche B Creditors, pursuant to the Creditors' Share Invitation, details of which are set out in Section 7 of this Circular; and
- (d) the Shareholders' Scheme (including the issue of the CAOHC Shareholder's Loan Conversion Shares to the Scheme Shareholders pursuant to the MAS Settlement), details of which are set out in Section 8 of this Circular.

### Post-Restructuring Plan Shareholding Structure

- 4.3 Share Consolidation. Pursuant to the Share Consolidation, the number of Shares in the Company would be reduced from 967,679,992 Shares to 193,535,998 Shares.
- 4.4 Issues of New Shares. Subsequent to the issue of an aggregate 529,284,539 new Shares pursuant to the Investment Agreement, Subscription Agreement and Creditors' Share Invitation, the resultant issued share capital in the Company will comprise 722,820,537 Shares.
- 4.5 CAOHC, BP, Aranda and Creditors. Post-Restructuring Plan, CAOHC, BP and Aranda will each hold 367,777,427 Shares (50.88%), 144,564,119 Shares (20.00%) and 33,611,158 Shares (4.65%) of the enlarged issued Shares of the Company, respectively, and the Creditors who subscribe for the Creditors' Invitation Shares will hold 72,282,000 Shares (approximately 10.00%).
- 4.6 Minority Shareholders. As for minority Shareholders, they currently hold 387,071,992 issued Shares in the Company. Subsequent to the Share Consolidation, the number of Shares held by them will be reduced to 77,414,398 Shares. With the issue of 27,171,435 new Shares to the Scheme Shareholders pursuant to the direction of CAOHC under the Shareholders' Scheme, minority Shareholders will hold in aggregate 104,585,833 Shares post-Restructuring Plan, comprising approximately 14.47% of the Post-Restructuring Plan Share Capital. Under the Shareholders' Scheme, it is estimated that each Scheme Shareholder will receive 0.35 CAOHC Shareholder's Loan Conversion Share for every Share they hold as at the Shareholders' Scheme Books Closure Date. By way of illustration, a Shareholder currently holding 1,000 Shares will hold 200 Shares following the Share Consolidation, and will receive an additional 70 CAOHC Shareholder's Loan Conversion Shares from CAOHC pursuant to the MAS Settlement and as part of the Shareholders' Scheme, resulting in an aggregate shareholding of 270 Shares post-Restructuring Plan.
- 4.7 Shareholders may refer to Appendix II of this Circular for the post-Restructuring Plan shareholding structure of the Company.

### Change in Share Capital and Financial Effects Arising from the Restructuring Plan

- 4.8 Post-Restructuring Plan, the Company's enlarged issued share capital of S\$371,119,000 will comprise 722,820,537 Shares.

---

## LETTER TO SHAREHOLDERS

---

- 4.9 As at 30 September 2005, the Group's total liabilities amounted to S\$1,010,335,000, and its net liabilities amount was approximately S\$669,550,000. The Restructuring Plan, upon its successful implementation, will greatly improve the financial position of the Group. As an illustration, assuming that the Restructuring Plan had been implemented on 30 September 2005, based on the FY2005 third quarter unaudited financial statements of the Group, the Group's total liabilities would be reduced by S\$769,234,000 to S\$241,101,000, and the Group's net liability position would be reversed to a net asset position of S\$115,877,000. Correspondingly, its NTA per Share would have been improved to S\$0.16, instead of S\$(0.69).
- 4.10 Shareholders may further refer to Appendix III of this Circular for the change in share capital, and the proforma financial effects on the NTA per Share, EPS and gearing of the Company, arising from the Restructuring Plan, based on the FY2005 third quarter unaudited financial statements.

### Opinion of Directors on Restructuring Plan

- 4.11 In view of the Company's financial condition and difficulties, the Directors of the Company, are of the opinion that the Restructuring Plan:
- (a) represents a comprehensive and necessary solution to effectively rehabilitate the Group as a going concern;
  - (b) seeks to:
    - (i) avoid the receivership, judicial management or liquidation of the Company;
    - (ii) resolve the liabilities of the Company in a manner which benefits the Company, the Shareholders and the Creditors on a balanced basis (taking into account also the commercial requirements of BP, Aranda and CAOHC); and
    - (iii) allows the Company to continue operations and eventually be a financially viable entity;
  - (c) increases CAOHC's cash investment in the Company, and strengthens its incentive to improve Shareholders' value, to the benefit of all Shareholders;
  - (d) introduces BP as a strategic investor of the Company, with a substantial stake of approximately 20.00%, and offers opportunities for the Company to tap on the energy supply and trading expertise of its affiliate, BPS, including expertise in trading and risk management;
  - (e) introduces Temasek (through its indirect wholly-owned subsidiary, Aranda) as a financial investor of the Company, with a stake of approximately 4.65%. With its extensive global business network, Temasek's involvement may contribute to the future of the Company;
  - (f) is a critical step towards lifting the suspension in trading of Shares of the Company; and
  - (g) allows the Shareholders and the Creditors (who participate in the Creditors' Share Invitation) to eventually hold Shares in a stronger Company with a healthier balance sheet, and possibly the opportunity to liquidate their equity holdings or realise their investments subsequently.

### Conditions for Lifting of Suspension in Trading of Shares

- 4.12 SGX-ST has on 27 January 2006 given its in-principle approval to the Company for the lifting of suspension in trading of Shares of the Company, including the trading of the new Shares to be issued pursuant to the Restructuring Plan, subject to:
- (a) compliance with the SGX-ST's listing requirements and/or other requirements which it may impose from time to time;

---

## LETTER TO SHAREHOLDERS

---

- (b) all necessary approvals having been obtained for the issue and allotment of the new Shares to be issued pursuant to the Restructuring Plan;
- (c) the completion of the Share Consolidation;
- (d) minority Shareholders' approval being obtained for the issue and allotment of the CAOHC Investment Shares, CAOHC Shareholder's Loan Conversion Shares and CAOHC Dividend Conversion Shares;
- (e) submission of the following to the SGX-ST:
  - (i) written confirmation from the Company and the Financial Adviser that, upon completion of the issue and allotment of the new Shares pursuant to the Restructuring Plan, based on the financial information for FY2005, the Group:
    - (aa) will be able to continue as a going concern;
    - (bb) has positive cashflow from operations and sufficient working capital for its operations; and
    - (cc) has resolved its debt and liabilities issues with the Creditors under the Creditors' Scheme;
  - (ii) written confirmation from the Company and the Financial Adviser that all material internal controls and procedures have been put in place by the Company that are effective and adequate for the Company's current business activities; and
  - (iii) written confirmation from and an announcement by the Company (not later than 15 May 2006) that material recommendations of the Corporate Governance Assessment Committee have been adopted, and to the extent such recommendations have not been adopted and not been fully implemented, such recommendation will be implemented as soon as practicable, but not later than 15 May 2006;
- (f) separate written undertakings by CAOHC and BP to the Company that each will not sell, dispose or transfer any part of the CAOHC Investment Shares, CAOHC Dividend Conversion Shares and BP Investment Shares (as the case may be) for a period of 6 months from the Completion Date, and for the next 6 months thereafter, to retain not less than 50% of the CAOHC Investment Shares, CAOHC Dividend Conversion Shares and BP Investment Shares (as the case may be); and
- (g) written confirmation from the Company and the Financial Adviser that the Company has complied with Rule 723 of the Listing Manual and that the allotment and allocation of the new Shares to be issued pursuant to the Restructuring Plan are not expected to result in a disorderly market when trading begins in the Company's Shares.

**Shareholders should note that in-principle approval by the SGX-ST is not to be taken as an indication of the merits of the Share Consolidation, the new Shares, Restructuring Plan, the Company or its subsidiaries and/or securities.**

- 4.13 Shareholders should note that Shareholders' approval of each of the resolutions set out in the EGM Notice to enable the successful implementation of the Restructuring Plan to rehabilitate the Company as a going concern is therefore one of the critical and necessary steps towards satisfying the SGX-ST's conditions. Accordingly, if any of the resolutions set out in the EGM Notice is not passed, the Company will not be able to implement the Restructuring Plan, including the Creditors' Scheme, and consequently, the Company may be subject to receivership, judicial management, liquidation or similar actions by the Creditors.**

---

## LETTER TO SHAREHOLDERS

---

### In-Principle Approval for the Listing and Quotation of New Shares

- 4.14 SGX-ST has on 27 January 2006 given its in-principle approval for the listing and quotation of the CAOHC Investment Shares, CAOHC Conversion Shares, BP Investment Shares, Aranda Investment Shares and Creditors' Invitation Shares to be issued pursuant to the Restructuring Plan, subject to the same conditions for its approval for the lifting in suspension of trading of the Shares, as set out in paragraph 4.12.

## 5. SHARE CONSOLIDATION

### General

- 5.1 The share consolidation comprises the consolidation of the share capital of the Company so that every 5 Shares are consolidated into 1 Share ("**Share Consolidation**").
- 5.2 Shareholders should note that the number of Shares which they are entitled to, arising from the Share Consolidation, will be rounded down to the nearest whole Share and any fractions thereof arising from the Share Consolidation may be disregarded at the discretion of the Company. As the proceeds of the sale of fractions of a Share arising from the Share Consolidation may be less than the administrative costs and expenses involved in despatching such proceeds to the Shareholders, fractions of a Share arising from the Share Consolidation may be aggregated and sold, at an appropriate time when (and if) the suspension in trading in Shares is lifted, and the proceeds retained for the benefits of the Company.
- 5.3 Subsequent to the Share Consolidation, each consolidated Share will rank *pari passu* with each other, and, when (and if) the suspension in trading of the Shares are lifted by the SGX-ST, the Shares will be traded in board lots of 1,000 Shares. Please also refer to Section 11 for information on the arrangements made by the Company in relation to odd lots trading.
- 5.4 As at the Latest Practicable Date, the Company has 1,200,000,000 Shares and an issued and paid-up share capital of S\$48,384,000 divided into 967,679,992 Shares. Following the implementation of the Share Consolidation, the Company will have 193,535,998 Shares. Assuming that the issue of new Shares under the Restructuring Plan is approved by Shareholders, the Company will have an enlarged issued and paid-up share capital of approximately S\$371,119,000 divided into 722,820,537 Shares post-Restructuring Plan. Please refer to Appendix III for the change in share capital arising from the Restructuring Plan.
- 5.5 The Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the Shareholders' funds of the Group. Shareholders are not required to make any payment to the Company in respect of the Share Consolidation. Subject to Shareholders' approval being obtained for the Share Consolidation, Shareholders' holding of the Shares arising from the Share Consolidation will be determined on the Share Consolidation Books Closure Date.

### Rationale

- 5.6 The Directors believe that the Share Consolidation is beneficial to the Company and its Shareholders in view that after the implementation of the Restructuring Plan, the proforma NTA per Share will be S\$0.16 (based on the unaudited consolidated balance sheet of the Company as at 30 September 2005), and if the current number of issued Shares is retained, the price of each Share, when eventually traded after (and if) the suspension in trading of the Shares is lifted, is likely to be very low. Low traded share prices in turn translate into higher transaction costs, relative to the trading price, for each trading of one board lot of Shares. The Share Consolidation will be beneficial to the Company and its Shareholders as it may serve to reduce the fluctuation in magnitude of the Company's market capitalisation and reduce the percentage transaction cost for trading in each board lot of Shares. This may in turn increase market interest in the Shares and generally make the Shares more attractive to investors.

---

## LETTER TO SHAREHOLDERS

---

- 5.7 However, Shareholders should note that there can be no assurance that the Share Consolidation will achieve this result, nor is there assurance that such a result (if achieved) can be sustained in the longer term.

### Shareholders' Approval

- 5.8 The implementation of the Share Consolidation is subject to the approval of Shareholders by way of an ordinary resolution at the EGM. Please see Ordinary Resolution 1 as set out in the EGM Notice.
- 5.9 The SGX-ST has on 27 January 2006 approved in-principle the listing and quotation of the Shares (after the Share Consolidation) on the Official List of the SGX-ST, subject to:
- (a) compliance with the SGX-ST's listing requirements and/or such other requirements which the SGX-ST may impose from time to time;
  - (b) Shareholders' approval being obtained for the Share Consolidation.

**Shareholders should note that in-principle approval by SGX-ST is not to be taken as an indication of the merits of the Share Consolidation, the new Shares, Restructuring Plan, the Company or its subsidiaries and/or securities.**

### Updating of Register of Members and Depository Register

- 5.10 If the approval of Shareholders to the Share Consolidation is obtained, the Register of Members of the Company and the Depository Register will be updated to reflect the number of Shares held by Shareholders and Depositors based on their shareholdings in the Company as at the Share Consolidation Books Closure Date on 6 March 2005 at 5:00 p.m..

### Deposit of Share Certificates with CDP

- 5.11 Shareholders who hold old share certificates and who wish to deposit the same with the CDP and have their Shares (after the Share Consolidation) credited to their Securities Accounts must deposit such share certificates, together with the duly executed instruments of transfer in favour of CDP, no later than 12 market days prior to the Share Consolidation Books Closure Date. After the Share Consolidation Books Closure Date, CDP will only accept for deposit new share certificates of Shares (arising after the Share Consolidation).
- 5.12 Shareholders who wish to deposit their old share certificates with CDP after the Share Consolidation Books Closure Date must first deliver such share certificates to the Share Registrar of the Company, Lim Associates (Pte) Ltd, at 10 Collyer Quay #19-08 Ocean Building Singapore 049315, for cancellation and issue of new share certificates in replacement thereof as described below. The new share certificates will then be sent by ordinary mail to the registered addresses of the Shareholders at their own risk within 10 market days from the date of receipt of their old share certificates.

### Issue of New Share Certificates

- 5.13 Depositors and Shareholders who have deposited their old share certificates with CDP at least 12 market days prior to the Share Consolidation Books Closure Date need not take any action. The Company will arrange with CDP to facilitate the exchange of new share certificates pursuant to the Share Consolidation.
- 5.14 Shareholders who have not deposited their old share certificates as aforesaid or who do not wish to deposit their old share certificates with CDP are advised to forward all such share certificates to the Share Registrar of the Company as soon as possible after they have been notified of the Share Consolidation Books Closure Date, and preferably, not later than 5 market days after the Share Consolidation Books Closure Date for cancellation and exchange for new share certificates. No

---

## LETTER TO SHAREHOLDERS

---

receipt will be issued by the Share Registrar of the Company for the receipt of the physical old share certificates. The new share certificates will be sent by ordinary mail to the registered addresses of the Shareholders at their own risk within 10 market days from the Share Consolidation Books Closure Date or the date of receipt of the old share certificates, whichever is the later.

- 5.15 Shareholders who hold physical share certificates are reminded that, as the Company is under a book-entry (scripless) settlement system, their old share certificates are no longer good for settlement of trading in the Shares on the SGX-ST, when (and if) the suspension in trading of the Shares is lifted, but will continue to be accepted for cancellation and issue of new share certificates in replacement thereof by the Share Registrar of the Company. The new share certificates will not be valid for delivery pursuant to trades done on the SGX-ST although they will continue to be *prima facie* evidence of legal title.
- 5.16 Shareholders should note that new share certificates will not be issued to Shareholders unless their old share certificates have been tendered to the Share Registrar of the Company for cancellation.
- 5.17 Please notify the Share Registrar of the Company if you have lost any of your existing old share certificates or if there is any change in your address from that reflected in the Register of Members of the Company.

### 6. ISSUE OF SHARES TO CAOHC, BP AND ARANDA

- 6.1 The entry into the Investment Agreement and Subscription Agreement by the Company on 5 December 2005 is in connection with the Creditors' Scheme, and is an integral part of the Restructuring Plan (please see paragraph 4.11 above).

#### 1. Investment Agreement

- 6.2 Pursuant to the Investment Agreement, and subject to the terms and conditions therein:

- (a) CAOHC will invest US\$75,770,000 (based on the Fixed Exchange Rate) in the Company for 248,945,984 new Shares in the Company ("**CAOHC Investment Shares**"), comprising approximately 34.44% of the Post-Restructuring Plan Share Capital, at the Issue Price per Share.
- (b) BP will invest US\$44,000,000 (based on the Fixed Exchange Rate) in the Company for 144,564,119 new Shares in the Company ("**BP Investment Shares**"), comprising approximately 20.00% of the Post-Restructuring Plan Share Capital, at the Issue Price per Share.
- (c) 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 29,881,278 new Shares in the Company ("**CAOHC Conversion Shares**"), comprising approximately 4.13% of the Post-Restructuring Plan Share Capital, at a conversion price equal to the Issue Price per Share; and
- (d) pursuant to and in discharge of the MAS Settlement and as part of the Shareholders' Scheme, CAOHC will direct that 27,171,435 CAOHC Shareholder's Loan Conversion Shares (or approximately 90.9% of the CAOHC Conversion Shares, being the Shares attributable to the shareholder's loan owing to CAOHC after waiver), comprising approximately 3.76% of the Post-Restructuring Plan Share Capital, be issued and allotted on an *ex-gratia* basis and *pro-rata* to the Scheme Shareholders, based on their respective shareholdings in the Company as at the Shareholders' Scheme Books Closure Date.

---

## LETTER TO SHAREHOLDERS

---

### *II. Shareholders' Agreement*

- 6.3 Pursuant to the Investment Agreement, CAOHC and BP have on 5 December 2005 entered into the Shareholders' Agreement to govern their rights and obligations *vis-à-vis* each other as shareholders of the Company. The Shareholders' Agreement will take effect upon the Completion of the Investment Agreement.
- 6.4 Under the Shareholders' Agreement, CAOHC and BP will, *inter alia*:
- (a) use reasonable commercial endeavours to promote the best interests of the Company;
  - (b) ensure that the Group manages its affairs and businesses in a transparent and accountable manner and adhere to generally accepted ethical standards and generally accepted standards of corporate governance principles and practices set out under the Corporate Governance Code and in line with generally accepted practices of a listed company on the SGX-ST; and
  - (c) cause the Company to adopt and implement robust and prudent risk management policies for the Group, including risk management and trading policies, practices and controls in respect of its aviation fuel trading activities (whether physical trading or otherwise).
- 6.5 The Shareholders' Agreement further provides, *inter alia*, that:
- (a) The Board will consist of a maximum of 9 Directors (excluding alternate Directors), comprising 4 Directors nominated by CAOHC, 3 independent Directors, and 2 Directors nominated by BP (who shall serve in non-executive capacity). In this regard, Article 77 of the Company's Articles of Association will be amended to stipulate the same (see Section 10 below).
  - (b) The Board shall appoint and constitute the following committees ("**Board Committees**"), which terms of reference shall be agreed between CAOHC and BP and approved by the Board and SGX-ST (as applicable):
    - (i) Audit Committee;
    - (ii) Remuneration Committee;
    - (iii) Nominating Committee, which shall collectively identify, consider and recommend candidates for appointment to the Board and senior management positions of the Company (including, without limitation, the positions of Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Head of Risk, Head of Trading or positions of similar authorities, duties and responsibilities however called);
    - (iv) Disclosure Committee, which shall collectively set and implement the corporate governance policies of the Company and ensure compliance by the Company with such corporate governance policies; and
    - (v) Risk Management Committee, which shall collectively set and implement the risk management and trading policies, practices and controls of the Company, review the same from time to time and ensure compliance by the Company with such policies, practices and controls.

The Nominating Committee, Disclosure Committee and Risk Management Committee will each consist of 5 members. In the case of the Nominating Committee, a majority of the members will be independent Directors. A new Article 77A in relation to the composition and functions of the Nominating Committee is proposed to be incorporated into the Articles of Association (see Section 10 below).

---

## LETTER TO SHAREHOLDERS

---

- (c) BP has the right to nominate:
- (i) candidates to the Nominating Committee for its recommendation to the Board or shareholders of the Company (as the case may be) for appointment to 2 seats on the Board;
  - (ii) its nominee Directors on the Board for appointment to 1 seat on the Nominating Committee, Disclosure Committee and Risk Management Committee,
  - (iii) candidates to the Nominating Committee for its recommendation to the Board for appointment to the senior management positions of Head of Risk and Head of Trading,
- provided that any such appointment shall be subject to the resolutions being passed by the shareholders or the Board (as the case may be) pursuant to the Articles of Association and applicable laws, regulations, listing rules or the Code of Corporate Governance.
- (d) CAOHC and BP shall procure that the Company does not undertake certain reserved matters unless otherwise agreed between them. Such reserved matters include (i) winding up of any Group Company, (ii) any material change in the nature of business of the Company or any Group Company, (iii) any material change in the risk management policies of the Company, (iv) any increase in the share capital of the Company (other than by way of rights issues) or any material change in the indebtedness of the Group and (v) the undertaking of any Major Transaction (as defined in the Listing Manual) by any Group Company.
- (e) Neither CAOHC nor BP may sell, transfer, pledge, charge or otherwise dispose of any Shares, or any legal or beneficial interest therein, without the prior written consent of the other party for a period of 5 years commencing from the Completion Date, subject to the occurrence of certain events specified in the Shareholders' Agreement prior to the expiry of such 5 years' period.

### *III. Business Co-operation Agreement*

- 6.6 Pursuant to the Investment Agreement, the Company, CAOHC and BP's affiliate, BPS, have also on 5 December 2005 entered into the Business Co-operation Agreement, whereby BPS will provide the Company with trading expertise and other services to enhance the trading and risk management systems of the Company. At the same time, BPS will have the pre-emptive right to supply the necessary aviation fuel required by the Company on terms more favourable to the Company than those obtained by the Company in the tender process.
- 6.7 *Rationale.* The Business Co-operation Agreement aims to strengthen the Company's capability in international procurement of aviation fuel and to ensure the secure supply of such aviation fuel to the Company on competitive terms for its onward sale and supply to buyers in the PRC. In connection therewith, BPS will advise and assist the Company in its tender process for the procurement of aviation fuel in the international market and will also have the pre-emptive right to supply the necessary aviation fuel required by the Company on terms more favorable to the Company than those obtained by the Company in the tender process. In addition, BPS will provide a reserve bid for each tender which the Company may accept if the tender process fails to produce offers to supply sufficient volumes of aviation fuel to meet the requirements of its buyers.
- 6.8 Under the Business Co-operation Agreement, BPS will also make available various training and risk management services where required by the Company.
- 6.9 Certain salient terms of the Business Co-operation Agreement (including the procurement arrangements and transactions between BPS and the Company in relation to the procurement of aviation fuel ("**Procurement Arrangements**")) are set out in Appendix IV of this Circular.



---

## LETTER TO SHAREHOLDERS

---

- 6.10 Shareholders should note that the duration for the Procurement Arrangements under the Business Co-operation Agreement is for the Procurement Period (as defined in Appendix IV) which is for a minimum period of 2 years, and it is a condition for Completion by BP under the Investment Agreement that the Business Co-operation Agreement continues to have full force and effect on the Completion Date. By approving the issue of Shares to BP under the Investment Agreement, Shareholders will also be deemed to have approved the Procurement Arrangements under the Business Co-operation Agreement for the Procurement Period, and no further Shareholders' approval will be required for the Procurement Arrangements under the Business Co-operation Agreement for the Procurement Period and all transactions contemplated thereunder, whether on an annual basis or otherwise.
- 6.11 Opinion of Independent Financial Adviser. As BP will, on Completion, become a controlling Shareholder of the Company, the transactions between the Company and BPS under the Business Co-Operation Agreement will thereupon become interested person transactions under the Listing Manual for the duration of the agreement. The Company has obtained an opinion from the Independent Financial Adviser to advise the Independent Directors, in particular the Audit Committee, on whether the methods and procedures under the Business Co-operation Agreement are sufficient to ensure that the transactions to be carried out thereunder will be on normal commercial terms, and will not be prejudicial to the interest of the Company or minority Shareholders. The letter of the Independent Financial Adviser in relation to the Business Co-operation Agreement is attached as Appendix V to this Circular. It is noted that the Independent Financial Adviser has opined that the methods and procedures for determining the transaction prices under the Business Co-operation Agreement in relation to the BCA Procurement Arrangements, Reserve Bid and Pre-emption Entitlement (each as defined in its letter) are sufficient to ensure that the transactions carried out thereunder will be on normal commercial terms, and will not be prejudicial to the interests of the Company or its minority Shareholders.
- 6.12 Opinion of the Audit Committee. The Audit Committee has reviewed and considered the terms of the Business Co-operation Agreement, as well as the methods and procedures for the transaction prices to be determined under the agreement, and having taken into account the rationale and potential benefit that may be brought about through the Business Co-operation Agreement and the opinion of the Independent Financial Adviser, is of the view that the methods and procedures for determining the transaction prices in the Business Co-operation Agreement are sufficient to ensure that the transactions carried out thereunder will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee, in arriving at its view, has taken into account the opinion of the Independent Financial Adviser referred to above.
- 6.13 Review Procedures. The Company will following Completion, implement the following review procedures in relation to the transactions carried out with BPS and its associates pursuant to the Business Co-operation Agreement:
- (a) The Company's Chief Financial Officer will maintain a register of all transactions carried out with BPS and its associates pursuant to the Business Co-operation Agreement.
  - (b) The Company's Chief Financial Officer will submit a report to the Audit Committee on a quarterly basis of all such transactions, including information on the rationale for entering into such transactions and whether the terms of the Business Co-operation Agreement and the procedures agreed by BPS and the Company pursuant to the Business Co-operation Agreement are complied with.
  - (c) The Company's annual internal audit plan will incorporate a review of such transactions, including the procedures for such transactions.
  - (d) If during the tender process under the Business Co-operation Agreement, offers are received from less than 5 approved suppliers in any 2 consecutive specified periods, the Procurement Committee set up by the Company to oversee the tender process will report this to, and

---

## LETTER TO SHAREHOLDERS

---

consult, the Audit Committee, and together with BPS, review and discuss modifications to the tender process to facilitate wider participation.

- (e) The Audit Committee will review from time to time the relevant internal controls and review procedures for such transactions to determine if they are adequate and/or commercially practicable in ensuring that the transactions between the Company and BPS and its associates are conducted on normal commercial terms, in compliance with the Business Co-operation Agreement and the procedures agreed by the parties, and are not prejudicial to the interests of the Company and its minority Shareholders. In conjunction with such review, the Audit Committee will also ascertain whether the review procedures established have been complied with. For the purposes of such review, any Director or member of the Audit Committee who is not considered independent for the purpose of such transactions, or is in any way interested, shall abstain from participating in the Audit Committee's review of the internal controls and review procedures. If during such periodic reviews by the Audit Committee, it is of the view that the internal controls and review procedures are inappropriate or not sufficient to ensure the above, the Audit Committee will revert to the Shareholders for a mandate based on revised internal controls and review procedures for such transactions with BPS and its associates. The Company's Board of Directors and its Audit Committee will have overall responsibility for determining the review procedures, and shall have the authority to delegate to individuals or committees within the Company such duties and responsibilities as they deem appropriate.

- 6.14 Disclosure in Financial Statements and Annual Report. The Company will also disclose in its quarterly and full year financial statements and annual report the aggregate value of all such transactions carried out with BPS and its associates pursuant to the Business Co-operation Agreement for so long as the agreement subsists.

#### IV. Memorandum of Understanding

- 6.15 Concurrently with the execution of the Investment Agreement, the Company has entered into a non-binding Memorandum of Understanding with CAOHC and BP in relation to the possible injection of their respective operating assets to be identified and mutually agreed, which may be synergistic and complementary to the Company's business, into the Company with a view to increasing its assets base, earning capacity and prospects, and thereby improving Shareholders' value.
- 6.16 Under the Memorandum of Understanding, the parties shall in good faith negotiate and sign a term sheet setting out the key terms (including pricing and form of consideration) to be included in the definitive operating assets injection agreements, and to sign such definitive agreements as soon as reasonably practicable thereafter. The parties will further in good faith endeavour to ensure that completion of the operating assets injection will take place within 6 to 9 months from the Completion of the Investment Agreement.
- 6.17 Discussions between the Company, CAOHC and BP on such assets injection, however, remain preliminary and exploratory, and there is no certainty that it will take place as contemplated or at all.

#### V. Subscription Agreement

- 6.18 Under the Subscription Agreement, and subject to the terms and conditions therein, Aranda will invest US\$10,230,000 (based on the Fixed Exchange Rate) in the Company for 33,611,158 new Shares in the Company ("**Aranda Investment Shares**"), comprising approximately 4.65% of the Post-Restructuring Plan Share Capital, at the Issue Price per Share.

#### VI. Conditions Precedent

- 6.19 Completion of the issue and allotment of the BP Investment Shares, CAOHC Investment Shares and CAOHC Conversion Shares under the Investment Agreement is conditional upon, *inter alia*, the following conditions precedent being satisfied and/or fulfilled on or prior to Completion:

---

## LETTER TO SHAREHOLDERS

---

- (a) approval of Shareholders in respect of the relevant transactions under the Restructuring Plan at the EGM;
  - (b) approval by the State-Owned Assets Supervisory and Administration Commission of the PRC, the State Administration of Foreign Exchange of the PRC, the Ministry of Commerce of the PRC, the State Development Reform Commission of the PRC and other relevant PRC authorities to the transactions contemplated under the Restructuring Plan (including the Investment Agreement, Shareholders' Agreement, Business Co-operation Agreement and Subscription Agreement), and filings with the China Securities Regulatory Commission;
  - (c) approval-in-principle of the SGX-ST being obtained for the listing and quotation of the new Shares to be issued by the Company pursuant to the Restructuring Plan, and (where applicable) the transactions contemplated thereunder;
  - (d) the conditions for the Creditors' Scheme and Shareholders' Scheme becoming effective being fulfilled or waived;
  - (e) the Business Co-operation Agreement, Shareholders' Agreement and Subscription Agreement remaining in full force and effect on the Completion Date;
  - (f) there having been no material change or development in relation to certain matters; and
  - (g) the approval of all other relevant regulatory authorities and bodies to the transactions contemplated under the Restructuring Plan.
- 6.20 Completion of the issue and allotment of the Aranda Investment Shares under the Subscription Agreement is conditional upon, *inter alia*, the satisfaction and/or fulfilment of the aforesaid conditions precedent set out in the aforesaid sub-paragraphs (a), (b), (c), (d) and (g) on or prior to Completion and the Shareholders' Agreement by CAOHC and BP remaining in full force and effect on the Completion Date.

### VII. Inter-Conditional Completion

- 6.21 **Shareholders should note that Completion of the issue and allotment of the CAOHC Investment Shares, CAOHC Conversion Shares, BP Investment Shares and Aranda Investment Shares are inter-conditional. As such, each of CAOHC, BP and Aranda will subscribe for its Shares under the Investment Agreement or Subscription Agreement (as the case may be) only if the other parties concurrently subscribe for their Shares under these agreements.**

### VIII. Interested Person Transactions

- 6.22 Under Chapter 9 of the Listing Manual, where a listed company proposes to enter into a transaction with its interested persons, shareholders' approval is required in respect of that transaction if its value is equal to or exceeds 5% of the latest audited NTA of the listed Group. The Group has an audited net loss of approximately S\$864.8 million as at 31 December 2004.
- 6.23 The term "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of any such person. CAOHC is a controlling Shareholder of the Company as it holds 60% of the issued share capital of the Company as at the Latest Practicable Date. Interested person transactions include the issuance of securities.
- 6.24 The proposed issue and allotment of the CAOHC Investment Shares and CAOHC Conversion Shares (comprising the CAOHC Shareholder's Loan Conversion Shares and CAOHC Dividend Conversion Shares) to CAOHC (or as it may direct) are thus interested person transactions (involving CAOHC as the interested person) within Chapter 9 of the Listing Manual.

---

## LETTER TO SHAREHOLDERS

---

- 6.25 Opinion of Independent Financial Adviser. Pursuant to Rule 921(4)(a) of the Listing Manual and at the directions of the SGX-ST, the Company has obtained an opinion from the Independent Financial Adviser to advise the Independent Directors, in particular the Audit Committee, on whether the issue of the CAOHC Investment Shares and CAOHC Conversion Shares is on normal commercial terms, and will not be prejudicial to the interest of the Company or minority Shareholders. The letter of the Independent Financial Adviser in relation to the issue of the CAOHC Investment Shares and CAOHC Conversion Shares is attached as Appendix V to this Circular. It is noted that the Independent Financial Adviser has opined that the issues of the CAOHC Investment Shares and CAOHC Conversion Shares are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.
- 6.26 Opinion of Audit Committee. The Audit Committee, having reviewed the terms of the Investment Agreement and Shareholders' Agreement, and taking into account the financial condition and difficulties of the Company, as well as the potential benefit of the Restructuring Plan to the Company, is of the view that the issues of the CAOHC Investment Shares and CAOHC Conversion Shares are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. In arriving at its view, the Audit Committee has also considered the opinion of the Independent Financial Adviser referred to above.

### IX. Shareholders' Approval

- 6.27 The issue and allotment of each of the CAOHC Investment Shares, CAOHC Shareholder's Loan Conversion Shares, CAOHC Dividend Conversion Shares, BP Investment Shares and Aranda Investment Shares is subject to the approval of Shareholders by way of an ordinary resolution at the EGM. Please see Ordinary Resolutions 2, 3, 4, 5 and 6, respectively, as set out in the EGM Notice.

### X. Undertaking to Vote

- 6.28 Under the Investment Agreement and Subscription Agreement, CAOHC has undertaken, to the extent that it is not prohibited from doing so, to vote in favour of the resolutions relating to the Restructuring Plan at the EGM and to vote in favour of the Shareholders' Scheme.
- 6.29 Under the Listing Manual, CAOHC has to abstain from voting at the EGM in respect of the issues of the CAOHC Investment Shares (Ordinary Resolution 2), CAOHC Shareholder's Loan Conversion Shares (Ordinary Resolution 3) and CAOHC Dividend Conversion Shares (Ordinary Resolution 4). CAOHC shall be entitled to vote in respect of all the other resolutions set out in the EGM Notice.

## 7. CREDITORS' SHARE INVITATION

- 7.1 As at the Latest Practicable Date, the debts owing to the Creditors participating in the Creditors' Scheme amount to approximately US\$482 million. Creditors with debts amounting to US\$39.9 million have elected for Tranche A Distribution (as defined in the Creditors' Scheme), and the remaining Creditors with debts of US\$442.1 million have opted for Tranche B Distribution (as defined in the Creditors' Scheme). Based on the elections by Creditors, the recovery rates of the Creditors are as follows:
- (a) Creditors opting for Tranche A Distribution will receive cash distribution of approximately US\$18 million, representing a 45% cash recovery; and
  - (b) Creditors opting for Tranche B Distribution will receive cash distribution of approximately US\$112 million (representing a 25.3% cash recovery), and Deferred Debt of US\$145 million (representing a 32.9% cash recovery), representing an overall aggregate 58.2% recovery.
- 7.2 The Creditors' Share Invitation is an invitation by the Company to the Tranche B Creditors holding Tranche B Debt under the Creditors' Scheme to subscribe for 72,282,000 Shares, representing

---

## LETTER TO SHAREHOLDERS

---

approximately 10.00% of the Post-Restructuring Plan Share Capital. Creditors holding Tranche A Debt are not entitled to participate.

- 7.3 The issue price for each Creditors' Invitation Share is S\$0.515 (or approximately US\$0.3044, based on the Fixed Exchange Rate), which is equal to the Issue Price for each share to be subscribed for by BP, Aranda and CAOHC under the Investment Agreement and Subscription Agreement (as the case may be). The subscription consideration to be set off against the Tranche B Debt owing to Creditors is calculated in US dollars, based on the Fixed Exchange Rate.
- 7.4 The subscription consideration payable by each applicant Tranche B Creditor will be set-off by the Company from the relevant amount of the Tranche B Distribution cash portion and/or Deferred Debt owing by the Company to such Tranche B Creditor, as the Company may determine in its discretion.
- 7.5 Rationale. The conversion of an aggregate debt amount of approximately US\$22 million into Shares of the Company (arising from the issue of the Creditors' Invitation Shares) will provide cash and interests savings to the Company for its working capital purposes and/or reduce the deferred debt obligations and gearing of the Company. It will also enable Creditors holding the Creditors' Invitation Shares to participate in the potential growth of the Company.
- 7.6 In accordance with the allocation of Tranche B Distribution and Deferred Debt proportion under the Creditors' Scheme:
- (a) 43.5% of the Creditors' Invitation Shares, comprising 31,449,000 Shares, will be allocated to satisfy applications made by Tranche B Creditors using Tranche B Distribution; and
  - (b) 56.5% of the Creditors' Invitation Shares, comprising 40,833,000 Shares, will be allocated to satisfy applications made by Tranche B Creditors using Deferred Debt.
- 7.7 Based on the applications received from the Creditors as at the close of the Creditors' Share Invitation on 28 December 2005, the Creditors' Share Invitation was oversubscribed. An aggregate of 10 Tranche B Creditors subscribed for an excess of Shares of which an aggregate subscription consideration of approximately US\$62 million would have been payable. In consultation with DTCF, and subject to Shareholders' approval, the Company will issue and allot the available Creditors' Invitation Shares on a *pro-rata* basis to the successful Tranche B Creditors who have been allocated the Creditors' Invitation Shares, and the respective amounts of US\$9.6 million Tranche B Distribution cash portion and US\$12.4 million Deferred Debt will be applied to set-off the subscription price payable by these Tranche B Creditors for their respective Creditors' Invitation Shares.
- 7.8 In relation to the Tranche B Creditors using the Deferred Debt, the subscription consideration payable for the Creditors' Invitation Shares will be set-off on the Completion Date against the amount of Deferred Debt owed to such Creditors in the following proportions:
- (a) 46.9% of the amount will be set-off on the Completion Date from that part of the Deferred Debt which would otherwise be payable to such Tranche B Creditors in Year 1;
  - (b) 5.5% of the amount will be set-off on the Completion Date from that part of the Deferred Debt which would otherwise be payable to such Tranche B Creditors in each of Year 2, Year 3 and Year 4, respectively; and
  - (c) 36.6% of the amount will be set-off on the Completion Date from that part of the Deferred Debt which would otherwise be payable to such Tranche B Creditors in Year 5.

The aforesaid proportions of set-off are pro-rated in accordance with the repayment schedule for Deferred Debt under the Creditors' Scheme.

---

## LETTER TO SHAREHOLDERS

---

- 7.9 Subject to Shareholders' approval, the Creditors' Invitation Shares will be issued and allotted to the successful Tranche B Creditors on the Completion Date, being the same day that the issue and allotment of the BP Investment Shares, CAOHC Investment Shares, CAOHC Conversion Shares and Aranda Investment Shares shall take place. The Creditors' Invitation Shares, when issued, will rank *pari passu* in all respects with the then issued Shares of the Company, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the completion date for the allotment and issue of the Creditors' Invitation Shares.
- 7.10 Shareholders' Approval. The issue and allotment of the Creditors' Invitation Shares by the Company is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM. Please see Ordinary Resolution 7 as set out in the EGM Notice.

### 8. SHAREHOLDERS' SCHEME

- 8.1 The Company has on 1 February 2006 applied to the High Court of Singapore pursuant to Section 210 of the Act to convene a meeting of its Shareholders to consider a proposed scheme of arrangement between the Company and such Shareholders ("**Shareholders' Scheme**"). As announced on 27 January 2006, the Shareholders' Record Date is fixed as at 3 February 2006 at 5 p.m., and documents pertaining to the Shareholders' Scheme (including the notice of Shareholders' Scheme meeting) have been despatched to Shareholders on record as at the Shareholders' Record Date.
- 8.2 The meeting for the Shareholders to vote on the Shareholders' Scheme is to be scheduled on the same day as, and immediately prior to, the EGM. The Shareholders' Scheme will be approved by the Shareholders only if a majority in number representing three-fourths in value of the Shareholders present and voting either in person or by proxy at the Shareholders' Scheme meeting votes in favour of the Shareholders' Scheme. The Shareholders' Scheme, if approved by the Shareholders, is further subject to approval by the High Court, which may impose such alterations and conditions as it may think just. If the Shareholders' Scheme is confirmed by the High Court, it will come into effect on the date ("**Effective Date**") on which an office copy of the Order of the Court sanctioning the Scheme is lodged with the Registrar of Companies.
- 8.3 Under the Shareholders' Scheme, it is proposed that:
- (a) the Company and CAOHC shall each perform such actions, covenants and undertakings as may be required of them under the Investment Agreement and the Subscription Agreement (as the case may be) for the purpose of satisfying and/or fulfilling the conditions precedent to Completion under the Investment Agreement and the Subscription Agreement (as the case may be);
  - (b) the Company and CAOHC shall execute all documents and do all acts and things necessary to implement the Restructuring Plan; and
  - (c) CAOHC shall direct the Company to, and the Company shall, issue and allot the CAOHC Shareholder's Loan Conversion Shares on the Completion Date on an *ex-gratia* basis and *pro-rata* to the Scheme Shareholders as at the Shareholders' Scheme Books Closure Date,

and in consideration of the foregoing, the Shareholders shall, on and from the Completion Date, unconditionally and irrevocably waive all actions, claims and potential claims (including any subsisting actions or claims, or any appeals therefrom), whether statutory, contractual, tortious or otherwise, and including any right to claim, in Singapore or elsewhere against the Company, CAOHC and/or their respective directors, officers and employees (past or present) arising from any prior acts, omissions or events in connection with the circumstances giving rise to the financial conditions and difficulties of the Company and necessitating the Restructuring Plan (including the losses suffered by the Company from its speculative oil derivatives trading activities).

---

## LETTER TO SHAREHOLDERS

---

- 8.4 Under the proposed Shareholders' Scheme, CAOHC will, prior to Completion, execute a deed poll in favour of the Shareholders whereby it will undertake to fulfil its obligations set out in the Shareholders' Scheme, subject to the Shareholders' Scheme being approved by the requisite Shareholders and sanctioned by the court.
- 8.5 During the period between the Effective Date and Completion Date, no Shareholder shall, whether directly or indirectly, take any steps to initiate, commence, procure, or continue any legal or other proceedings in respect of any actions, claims or potential claims, whether statutory, contractual, tortious or otherwise, in Singapore or elsewhere against the Company, CAOHC, and/or their respective directors, officers and employees (past or present) arising from any prior acts, omissions or events in connection with the circumstances giving rise to the financial conditions and difficulties of the Company and necessitating the Restructuring Plan (including the losses suffered by the Company from its speculative oil derivatives trading activities). On the Completion Date, all such actions, claims or potential claims shall forever be extinguished.
- 8.6 Entitlements to the CAOHC Shareholder's Loan Conversion Shares will be determined on the basis of the number of Shares held by a Shareholder on the Shareholders' Scheme Books Closure Date. Shareholders should note that the number of Shares which they are entitled to, arising from the Shareholders' Scheme, will be rounded down to the nearest whole Share and any fractions thereof arising from the Shareholders' Scheme may be disregarded at the discretion of the Company. As the proceeds of the sale of fractions of a Share arising from the Shareholders' Scheme may be less than the administrative costs and expenses involved in despatching such proceeds to the Shareholders, fractions of a Share arising from the Shareholders' Scheme may be aggregated and sold, at an appropriate time when (and if) the suspension in trading in Shares is lifted, and the proceeds retained for the benefit of the Company. The Shareholders' Scheme Books Closure Date will be on the same date as the Share Consolidation Books Closure Date. Shareholders should note that the paragraphs entitled "Deposit of Share Certificates with CDP" and "Issue of New Share Certificates" in Section 5 of this Circular shall similarly apply in relation to the Shareholders' Scheme Books Closure Date.
- 8.7 In any case where the Company is of the view that the distribution of CAOHC Shareholder's Loan Conversion Shares to any Shareholder without a registered address in Singapore ("**Overseas Shareholder**") may infringe any relevant foreign law or necessitate compliance with conditions or requirements which they regard as onerous by reason of costs, delay or otherwise, the Company may determine that such CAOHC Shareholder's Loan Conversion Shares shall not be issued and allotted to such Overseas Shareholders who would otherwise have been entitled thereto, but shall be transferred to such nominee(s) as the Company may appoint, who shall sell the same as soon as practicable after, and (subject to the suspension in trading of the shares on the SGX-ST being lifted) thereafter distribute the aggregate amount of the net proceeds, after deducting all dealing and other expenses in connection therewith, proportionately among such Overseas Shareholders in accordance with their respective entitlements to the CAOHC Shareholder's Loan Conversion Shares as at the Shareholders' Scheme Books Closure Date, in full satisfaction of their rights to the CAOHC Shareholder's Loan Conversion Shares to which they would otherwise have become entitled, provided that where the net proceeds to which any particular Overseas Shareholder is entitled shall be less than S\$10.00, such net proceeds shall be retained for the benefit of the Company, and no Overseas Shareholders shall have any claim whatsoever against CDP and the Company in connection therewith.
- 8.8 Implementation of the Shareholders' Scheme is subject to, *inter alia*, the following conditions being satisfied or waived (as the case may be):
- (a) approval of the Shareholders' Scheme by at least a majority in number representing three-fourths (i.e. 75%) in value of the Shareholders present and voting at the scheme meeting;
  - (b) the confirmation by the court pursuant to Section 210(3) of the Act and a copy of the order of the court sanctioning the Shareholders' Scheme being lodged with the Registrar of Companies;

---

## LETTER TO SHAREHOLDERS

---

- (c) approval-in-principle of the SGX-ST being obtained, for the listing and quotation of the CAOHC Shareholder's Loan Conversion Shares; and
  - (d) the Restructuring Plan not being terminated, revoked or rescinded.
- 8.9 Subject to fulfilment of the conditions precedent set out above, the implementation date of the Shareholders' Scheme shall be the Completion Date.
- 8.10 ***Rationale.*** The Shareholders' Scheme will give CAOHC, BP, Aranda and other Shareholders assurance and comfort in respect of their investment in the Company, and enable the Company to start on a clean slate, following the Restructuring Plan, without the expense and distraction of being embroiled in potential litigation claims or actions by Shareholders in connection with the circumstances giving rise to the current financial conditions of the Company and necessitating the Restructuring Plan. Implementation of the Shareholders' Scheme is also one of the conditions precedent to Completion under the Investment Agreement and Subscription Agreement, as required by CAOHC, BP and Aranda (as the case may be).
- 8.11 **Shareholders should note that the subscription of Shares in the Company by each of BP, Aranda and CAOHC is conditional upon, *inter alia*, approval of the Shareholders' Scheme by Shareholders at the Shareholders' Scheme meeting.**

### 9. APPOINTMENT OF NEW DIRECTORS

- 9.1 It is proposed that upon, and with effect from, completion of the Restructuring Plan, the Board of Directors of the Company be re-constituted to comprise Gu Yanfei, Zhao Shousen, Yang Chuan, Meng Fanqiu, Wu Shen Kong, Ian Springett, Lim Jit Poh, Lee Suet Fern and Liu Fuchun.
- 9.2 Gu Yanfei will continue in her capacity as Head of Special Task Force in the interim period until Completion.
- 9.3 Wu Shen Kong and Ian Springett are nominees of BP and are to be appointed pursuant to the Shareholders' Agreement. Zhao Shousen, Yang Chuan and Meng Fanqiu are nominees of CAOHC and are to be appointed pursuant to the Shareholders' Agreement. Gu Yanfei is also a nominee of CAOHC. Lim Jit Poh, Lee Suet Fern and Liu Fuchun are proposed independent Directors of the Company. Information on the past working experience, and educational and professional qualifications of these proposed new Directors, as provided by each of them to the Company, are reproduced in Appendix VII of this Circular.
- 9.4 The appointment of each new Director is proposed to be effected by way of an ordinary resolution at the EGM. Please see Ordinary Resolutions 8, 9, 10, 11, 12, 13, 14 and 15 as set out in the EGM Notice. Accordingly, the Board of Directors of the Company post-Restructuring Plan is expected to comprise:
- (a) Lim Jit Poh (Independent Chairman);
  - (b) Gu Yanfei (Director & Head, Special Task Force);
  - (c) Zhao Shousen (Non-Executive Director);
  - (d) Yang Chuan (Non-Executive Director);
  - (e) Meng Fanqiu (Non-Executive Director);
  - (f) Wu Shen Kong (Non-Executive Director);
  - (g) Ian Springett (Non-Executive Director);



---

## LETTER TO SHAREHOLDERS

---

- (h) Lee Suet Fern (Independent Director); and
- (i) Liu Fuchun (Independent Director);

### 10. AMENDMENT OF ARTICLES OF ASSOCIATION

10.1 In connection with the Shareholders' Agreement, it is proposed that:

- (a) the existing Article 77 of the Articles of Association of the Company be deleted, and a new Article 77 be inserted, to stipulate the maximum number of Directors of the Company as 9 Directors, in accordance with the Shareholders' Agreement; and
- (b) a new Article 77A be inserted into the Articles of Association in relation to the composition and function of the Nominating Committee as provided in the Shareholders' Agreement.

10.2 The text of the new Articles 77 and 77A are set out in Appendix VIII of this Circular.

10.3 The proposed amendment of Articles of Association is subject to the approval of Shareholders by way of a special resolution at the EGM. Please see Special Resolution 1 as set out in the EGM Notice.

### 11. ODD LOTS TRADING AND DESIGNATED BROKER

11.1 When (and if) the suspension in trading of the Shares is lifted by the SGX-ST, the Shares will be traded in board lots of 1,000 Shares on the SGX-ST. Approval in-principle has been obtained from the SGX-ST, when (and if) the suspension in trading of the Shares is lifted by the SGX-ST, for the setting up of a temporary counter to allow Shareholders to trade in board lots of 10 Shares. This temporary counter will be maintained for a period of 1 calendar month commencing from the lifting of suspension in trading of the Shares (upon approval by the SGX-ST) ("**Temporary Period**"). Thereafter, Shareholders can trade in odd lots of Shares on the SGX-ST Unit Share Market.

11.2 The Company has made arrangements with UOB Kay Hian Pte Ltd ("**UOBKH**") to be the designated broker ("**Designated Broker**") for the purpose of providing Shareholders a more economical avenue to dispose of their odd lots of Shares arising from the Restructuring Plan, when (and if) the suspension in trading of Shares is lifted by the SGX-ST. Shareholders who wish to use the Designated Broker to dispose of their odd lots but who do not have any existing account with UOBKH must open accounts with UOBKH by visiting in person UOBKH's office at 80 Raffles Place, #29-00 UOB Plaza 1, Singapore 048624. All account-opening applications are subject to the Designated Broker's approval criteria and/or procedures and are based on such terms and conditions as may be determined by the Designated Broker. The Designated Broker has the discretion to decline any account-opening application without giving any reason. A concessionary minimum brokerage fee of S\$20 per contract will be charged to UOBKH clients in their sales of odd lots of Shares (i.e. 1 to 999 Shares) either on the SGX-ST Unit Share Market or in board lots of 10 Shares on the temporary odd lot counter during the Temporary Period, provided that the number of Shares traded in any one contract does not exceed 999 Shares. The prevailing goods and services tax of 5% on the brokerage fee and the SGX-ST's clearing and trading fees will apply. For all trades in board lots of 1,000 Shares, the usual brokerage fees will apply. After the Temporary Period, the concessionary minimum brokerage fee will no longer apply.

11.3 **Shareholders should note that the set-up of the temporary odd lot counter is strictly of a provisional nature. Shareholders who continue to hold odd lots of less than 1,000 Shares after the Temporary Period may find it difficult and/or have to bear disproportionate transaction costs in realising the fair market price of such Shares.**

## **12. POST-RESTRUCTURING PLAN BUSINESS STRATEGIES**

### Post-Restructuring Plan Business Strategies

- 12.1 The Company's business model since its listing was based on a three pronged strategy, which focused on (a) jet fuel procurement, (b) trading of petroleum products (such as jet fuel, gas oil, fuel oil, crude oil and plastic resins and oil derivatives), and (c) strategic investments in oil related businesses. Since the announcement of the Company's financial condition in November 2004, CAOT has been established to carry on the jet fuel procurement business of the Company on an agency (non-principal) basis.
- 12.2 The Company intends to continue these core businesses moving forward as follows:
- (a) Jet Fuel Procurement. To maintain and expand the jet fuel procurement business. The initial focus after the implementation of the Restructuring Plan would be to work towards re-establishing the Company's jet fuel procurement business on a principal basis. Prior to re-establishing the Company's jet fuel procurement business on a principal basis, during the transitional period, CAOT will continue to carry on such business on an agency (non-principal) basis.
  - (b) Trading of Oil Products. To re-commence the oil products trading business (but excluding speculative trading activities) in consultation and partnership with BP.
  - (c) Strategic Investments in Oil Related Businesses. To continue making strategic investments in oil related businesses. The Company currently has investments in the following:
    - (i) SPIA, which provides jet fuel services comprising the transport, storage and delivery of fuel into planes at airports;
    - (ii) Xinyuan, which is a joint-venture between the Company, CAOHC and Shenzhen Juzhengyuan Petrochemical Co. Ltd. Xinyuan owns 100% of the Shuidong storage tank farm near Shuidong pier in the city of Maoming in Guangdong province; and
    - (iii) CLH, which provides oil products logistics including storage, transport and distribution services on land and sea. It also carries on other activities that complement its basic logistics operations such as fuel storage and servicing planes, bunkering and capillary distribution via tanker. Additionally, it is also involved in a number of secondary activities such as fuel pump and equipment maintenance, research and development, and lubricant blending and packaging. It is the Company's intention to divest its interest in CLH in 2006 as part of the Restructuring Plan.

## **13. RISK FACTORS**

- 13.1 Shareholders, in making their assessment of the Restructuring Plan of the Company, including whether to vote for the resolutions in relation to the Restructuring Plan, are advised to take into account, *inter alia*, the following risks relating to the Company and Group. The risks stated herein are not intended to be exhaustive, and there may be other risks which could affect the Company and the Group:

### ***Risks Relating to the Company's Business and the Jet Fuel Industry***

#### *I. Reliance on parent group*

- 13.2 The Company's jet fuel business is heavily dependent on its parent group which imports jet fuel from the Company. The Company's parent group is authorised by the relevant PRC authorities to allocate the import quota for jet fuel import into the PRC.

---

## LETTER TO SHAREHOLDERS

---

13.3 On 3 January 2001, CAOSC issued a management directive to all its subsidiaries and associated companies to purchase all imported jet fuel from the Company on a long-term basis beginning January 2001. CAOSC also issued a management directive on 8 October 2001 to the Company stating that it will not withdraw the management directive on 3 January 2001 within the next few years, and it will not set up another overseas company carrying on the business of jet fuel procurement that will compete with the Company's business. CAOSC had since been reorganised as a subsidiary of CAOHC. Under the Business Co-operation Agreement, CAOHC shall, to the extent within its control or influence, preserve and maintain during the term of the Business Co-operation Agreement its jet fuel procurement rights and allocation thereof to the Company as contemplated under the Business Co-operation Agreement.

13.4 The business climate in relation to the current jet fuel import restrictions may change as the PRC is geared towards a market-oriented economy. In addition, as oil is highly regarded as a strategic resource in many countries, there is a risk that the PRC government might reorganize and restructure the methods of oil importation in to the PRC. As the Company's jet fuel business is dependent on CAOHC being authorised by the PRC government to allocate the import quota for jet fuel and a high percentage of the Company's jet fuel business is with its parent group in the PRC, any change in import regulations on jet fuel may adversely affect its business. In the event that the PRC government revokes or restricts the authority given to CAOHC to allocate the jet fuel import quota, or liberalises the importation of jet fuel to allow more entities other than its parent group to import jet fuel, the Company's sales to the PRC market through its parent group will be affected and this might have an adverse impact on the Company's profitability.

### *II. Decrease in global air traffic*

13.5 The Company's business of procuring jet fuel to the PRC market is closely tied to the amount of air traffic in the PRC aviation industry. Natural disasters or force majeure events (such as earthquakes, typhoons and tsunamis) and other unforeseen circumstances (such as terrorist attacks, Severe Acute Respiratory Syndrome (SARS), the Avian flu and other communicable diseases) may, *inter alia*, lead to a fall in demand for air travel in the PRC, which may consequently lead to a decline in demand for imported jet fuel to the PRC market. This will adversely affect the Company's sales of jet fuel to the PRC market and its profits.

### *III. Failure to compete effectively in a highly competitive environment*

13.6 The oil trading industry is highly competitive as the barriers to entry are low. If the Company does not compete effectively with its competitors, for example, as regards to price and services, its profitability and prospects will be adversely affected. The Company cannot assure its Shareholders that it will be able to compete successfully in the future against its existing or potential competitors or that its business, financial condition and results of operation will not be adversely affected by increased competition. More foreign players may enter the PRC oil markets now that the PRC is admitted into the World Trade Organisation. As a result, the Company may face greater competition which may affect its sales and profits and may cause the Company to gradually lose its dominant share in the PRC jet fuel import market. The extent, timing and impact of this cannot be determined.

### *IV. Vulnerable to the volatility of oil prices*

13.7 The oil market is volatile and often unpredictable as it is subject to prevailing demand and supply conditions. Oil price generally increases when there is a shortage of oil supply or an upsurge in demand for oil. Adverse movements in the prices of oil products in which the Company trades are likely to affect its profits in situations when the Company may have committed to sell cargoes at fixed prices but it may have committed to buy at floating rates or may not have sourced the cargoes from the suppliers. If the oil prices increase after the Company has concluded its contract to sell, the Company may have to purchase the cargoes at the higher prevailing prices and its profit margin will be reduced. Similarly, the Company may incur losses from the decline in oil prices when it may have committed to buy cargoes at fixed rate but have committed to sell the cargoes at

---

## LETTER TO SHAREHOLDERS

---

floating rate. In addition, an increase in oil prices may cause the Company's customers to defer purchase of oil and other oil products, hence affecting its profits for that period.

V. Vulnerable to the volatility of the freight market

13.8 CAOT currently operates as an agency business and does not incur any freight charges in the course of its business. However, upon the Company's re-commencement of its jet fuel procurement business, freight costs may be incurred depending on the nature of the purchase terms. When the Company sells on Cost Insurance and Freight (CIF) or Cost and Freight (CFR) terms or when it buys on Free on Board (FOB) terms, the Company has to bear the freight costs. If the Company does not lock in the freight costs at the time of the FOB purchase, the Company will be exposed to the fluctuating freight costs. However, since all freight costs are locked at the time of agreement (i.e. sold CIF or CFR and bought CFR or CIF back to back basis), all freight exposure is passed on to the seller. The Company will not purchase on FOB basis if the Company does not have any confidence to lock in the freight rate at the point of agreement. Therefore the Company is to a large extent insulated against fluctuation in freight prices.

VI. Subject to credit risk

13.9 In view of its financial difficulties, the Company established CAOT to act as an agent buyer of aviation fuel and CAOT accordingly has little credit risk at present. In due course, the Company intends to re-commence procurement of jet fuel from overseas markets for distribution to the PRC civil aviation industry through its parent group and it will gradually extend distribution to other oil products. This will involve some degree of credit risk. Each transaction in the course of the Company's procurement business generally amounts to more than US\$1 million and may even exceed US\$15 million. The Company might encounter serious cash flow problems if it encounters any credit problems with its customers or end users. Credit problems may cause a material negative impact on the Company's financial position. The Company may be increasingly exposed to such risks as it expects to be dealing with a greater number of other companies as it expands its business.

VII. Subject to risks arising from derivatives trading

13.10 The Company may in the future trade in oil derivatives. As such, the Company may be exposed to the risks arising from the fluctuations of prices of the underlying commodities.

VIII. Subject to foreign exchange translation losses

13.11 As all the Company's sale and purchase transactions are conducted in US dollars, the Company is generally not subject to significant foreign exchange transaction risks. The Company does experience a small extent of foreign exchange transaction risk as its needs to convert its US dollar cash flow to Singapore dollars to pay its operating expenses such as staff costs. Any significant depreciation of the US dollars against Singapore dollars will result in a foreign exchange translation loss and accordingly reduce the Company's profit. Moreover, the Company is subject to foreign exchange translation risk as its reporting currency is denominated in Singapore dollars while its transaction currency is denominated in US dollars.

IX. Global Trader Program ("GTP") Status

13.12 The Company obtained GTP status (then known as Approval Oil Trader status) in July 1998. The Company's GTP status was extended in June 2003 for another 5 years. Under the GTP scheme, the Company was given preferential tax status to pay taxes at a rate of 10%. On application the Company was awarded a further concessionary rate of 5% from 2004 onwards on income derived from qualifying trading transactions of approved products in its business. However, due to the financial difficulties and the termination of its derivatives business, the Company no longer qualifies for the abovementioned preferential tax status. The loss of this award would lead to the Company being subject to the statutory tax rate of 20%.

---

## LETTER TO SHAREHOLDERS

---

### X. Risk relating to non-completion of the Investment Agreement and Subscription Agreement

13.13 Completion of the Investment Agreement or Subscription Agreement may not take place for non-satisfaction or fulfilment of the conditions precedent thereunder. In the event that Completion under the Investment Agreement or Subscription Agreement does not take place, the Restructuring Plan will not be implemented, and the Creditors' Scheme may be terminated, such that the Company may be subject to receivership, judicial management, liquidation or similar actions by Creditors. As mentioned in paragraph 3.10, the ability of the Group and Company to meet their financial obligations to continue as going concerns depend on, *inter alia*, the implementation of the Restructuring Plan. The issue of the Creditors' Invitation Shares to Creditors who subscribe for such Shares under the Creditors' Share Invitation, will also not take place unless the Restructuring Plan is implemented to the satisfaction of the Company.

### XI. Risk relating to Business Co-operation Agreement with BP

13.14 Under the Business Co-operation Agreement, it is expected that BPS will play an important role in the future operations of the Company. Failure to complete the Investment Agreement with BP will result in the termination of the Business Co-operation Agreement, and might have an adverse impact on the operations of the Company and the Restructuring Plan.

### XII. Risk relating to loss of tax loss benefits

13.15 The extent of tax losses that may be utilised to off-set future profits is uncertain, as such tax loss benefits are subject to the agreement of the relevant tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the Group Companies operate. If such tax authorities do not agree with the recoverability of such tax losses or the full extent thereof, it may have an adverse effect on the Group's financial performance.

### **Risks Relating to the PRC**

### XIII. Political, economic and social policies of the PRC government could affect the Company's business

13.16 Over 90% of the Company's jet fuel business dealings are with its parent group in the PRC and the Company will continue to be dependent on its parent group for its jet fuel business in the foreseeable future. As such, the general political, economic, social and legal conditions prevailing in the PRC will directly and indirectly affect the Company's financial performance. Since 1978, the PRC government has been reforming China's economic system and has also begun reforming the government structure in recent years. Such reforms, for example, the "open door" reform policy, have resulted in significant economic growth for the PRC in the last two decades. Although the PRC government still owns a significant portion of the PRC's productive assets, its economic reform policies are currently geared toward the utilisation of autonomous enterprises and market mechanisms. As such, these reforms will have a positive effect on the PRC's long-term development which will have a positive effect on the Company's customers' business and in turn have a positive effect on the Company's sales to its PRC customers. However, there is no assurance that the PRC government may not change its political, economic and social policies and laws in a way that may have a material adverse impact on the Company's future business, operations or financial performance.

### XIV. Price reform in the PRC aviation oil market could affect the Group's profit margin

13.17 PRC authorities are expected to consider and implement measures to open up the PRC aviation oil market. As part of these measures, the current jet fuel pricing system may be reformed to bring pricing to be more in line with international jet fuel markets. The timing and impact of such reforms is uncertain, but if implemented, could lead to a reduction in the profit margin presently enjoyed by the Group.

---

## LETTER TO SHAREHOLDERS

---

*XV. Foreign exchange policy in the PRC may affect the expatriation of funds from SPIA*

13.18 The PRC government recently changed its foreign exchange policy such that the RMB is no longer pegged to the US dollar. The RMB exchange rate is now based on market supply and demand with reference to a basket of currencies. As such, there is no assurance that the RMB will not be subject to adverse market movements. There is also no assurance that the RMB will not be subject to devaluation or depreciation due to administrative or legislative intervention by the PRC government. A devaluation of the RMB may adversely affect the amount of dividends receivable from SPIA. Furthermore, any declaration of dividends in RMB by SPIA would be subject to the relevant PRC rules and regulations. Should the expatriation of the said dividends to the Company be restricted by foreign exchange control policies, it may have an adverse effect on the Company's financial performance.

*XVI. Expiration of tax incentives enjoyed by SPIA may affect the Company's financial performance and possibility of tax liability of SPIA*

13.19 SPIA currently enjoys a concessionary income tax rate of 15%. In the event such concession is withdrawn, SPIA's profitability may be adversely affected.

13.20 While there has not been any objections from the State Tax Bureau of the PRC on the application of the preferential concessionary income tax rate of 15% for the period December 2002 to 31 December 2003, there is a risk that the State Tax Bureau may dispute the same, and if so, the potential income tax liability of SPIA in respect of such periods will amount to approximately RMB96 million, and this has not been provided for in the accounts of SPIA. Such liability may have an adverse effect on the future profit distributions of SPIA and consequently, have an adverse effect on the financial performance of the Group.

***Risks Relating to Ownership of the Company's Shares***

*XVII. Share prices might be volatile*

13.21 The trading prices of the Company's Shares could be subject to fluctuations in response to variations in its results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting the Company, its customers, or its competitors, changes in financial estimates by securities analysts, the operating and stock price performance of other companies, general stock market price fluctuations and other events or factors. Volatility in the price of the Company's Shares may be caused by factors beyond its control and may be unrelated and disproportionate to its operating results.

*XVIII. CAOHC and BP, being the post-Restructuring Plan substantial Shareholders of the Company, can influence the outcome of matters submitted to Shareholders for approval*

13.22 Subsequent to the implementation of the Restructuring Plan, CAOHC and BP, who have entered into the Shareholders' Agreement, will hold an aggregate 71% of the issued Shares of the Company, and have the ability to exercise significant influence over all matters requiring Shareholders' approval and also certain reserved matters agreed between them in the Shareholders' Agreement, including the election and appointment of directors and committee members and the approval of significant corporate transactions, and will have veto power with respect to any Shareholders' action or approval requiring a majority vote. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of the Company which may benefit the Company's Shareholders.

*XIX. Dilution of CAOHC's shareholding in the Company such that the Company is no longer a subsidiary of CAOHC*

13.23 The Company's market share in jet fuel procurement is largely dependent on its relationship with its parent group. In the event that there is dilution of CAOHC's stake in the Company as a result of sale of Shares by CAOHC or future placements of Shares to other Shareholders such that CAOHC

---

## LETTER TO SHAREHOLDERS

---

no longer holds the majority stake in the Company, its relationship with the parent group may be eroded. As a result, the Company's parent group may revoke the management directive given to the parent group to place jet fuel orders with the Company. The Company may then have to compete with the other jet fuel traders to obtain orders from its parent group. The Company's jet fuel sales and profits may thus be adversely affected.

### 14. MORATORIUM BY CAOHC AND BP

- 14.1 Each of CAOHC and BP has provided separate written undertakings to the Company that each will not sell, dispose or transfer any part of the CAOHC Investment Shares, CAOHC Dividend Conversion Shares and BP Investment Shares (as the case may be) for a period of 6 months from the Completion Date, and for the next 6 months thereafter, to retain not less than 50% of the CAOHC Investment Shares, CAOHC Dividend Conversion Shares and BP Investment Shares (as the case may be)
- 14.2 Under the Shareholders' Agreement, CAOHC and BP have also agreed, *inter alia*, not to dispose of their respective Shares in the Company for a period of 5 years after the Completion Date, subject to the occurrence of certain events specified in the Shareholders' Agreement prior to the expiry of such 5 years' period.

### 15. SPECIAL TASK FORCE AND TRANSITIONAL MANAGEMENT TEAM

- 15.1 Since 30 November 2004, the affairs of the Company have been conducted by the Special Task Force, which is authorised by the Board to lead the restructuring efforts, investigation and rehabilitation process as well as supervise and manage the day-to-day operations and management.
- 15.2 The Special Task Force is led by Gu Yanfei, Head of Special Task Force. Her key responsibilities are supervising and managing the daily operations of the Company, in particular leading the crucial debt and equity restructuring of the Company. Gu Yanfei has been the General Manager of the Investment Department of CAOHC since 2004. She has also been a Director of the Company since 2003. She is supported by 3 other members of the Special Task Force, namely Bian Hui, Shi Jianqiao and Zhang Xingbo, with the workload allocated amongst them as the needs arise. The Special Task Force is in turn supported by staff and resources of the Company and CAOHC.
- 15.3 Presently, the delegation of work amongst the Special Task Force (other than Gu Yanfei) is as follows:
- (a) Bian Hui is responsible for public relations matters and, *inter alia*, coordinates and oversees media and publicity efforts locally and in the PRC, as well as liaising with CAOHC.
  - (b) Shi Jianqiao is responsible for financial matters and, *inter alia*, has been involved in the equity and debt restructuring of the Company as well as the set-up of the financial structure of the Company during the restructuring period.
  - (c) Zhang Xingbo is responsible for matters relating to the Company's jet fuel procurement business, including the tender and operational aspects, as well as the development of customer relations.
- 15.4 At the request of the Special Task Force, the Company's Head of Internal Audit, Adrian Mark Chang Choon Siew, has also taken over the role of acting Head of Finance Division. The previous Head of Finance Division, Peter Lim, has had his employment with the Company terminated on 21 December 2005.

---

## LETTER TO SHAREHOLDERS

---

- 15.5 The Special Task Force is supported by DTCF and Rajah & Tann, the Company's financial advisers and legal advisers, respectively, in the structuring and implementation of the Restructuring Plan.
- 15.6 The Special Task Force will continue to manage the daily operations of the Company up to and until the appointment of new management by the new Board of Directors on implementation of the Restructuring Plan.
- 15.7 It is expected that the new Board will, as soon as practicable after the Completion Date, put in place the new management structure of the Company and appoint suitable candidates to fill senior management positions (including Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Head of Risk and Head of Trading).

### **16. RISK MANAGEMENT POLICIES AND INTERNAL CONTROL PROCEDURES**

- 16.1 The Company has since 30 November 2004 ceased all speculative oil derivative trading activities. It also promptly closed out the subsisting derivative trades by January 2005.
- 16.2 As part of its debt restructuring efforts, the Company further took steps to establish a full list of its creditors. On 15 April 2005, the Company wrote to, and publicly advertised for, all creditors to submit their proof of debts to evidence their claims against the Company. The cut-off date for submitting such proof of debt was 7 June 2005. This exercise enabled the Company to identify and adjudicate all claims against the Company so as to establish its outstanding liabilities.
- 16.3 Upon its appointment, the Special Task Force also promptly instituted stringent controls over the Company's assets and monitored carefully its operating expenses to preserve the Company's assets. The suspended Chief Executive Officer, Chen Jiulin, was removed as a cheque signatory, and new authorisation limits for the operation of the Company's bank accounts were imposed. Payments in excess of US\$100,000 have to be scrutinised and approved by Gu Yanfei and one of two named partners of Deloitte & Touche. An internal management directive establishing new approval procedures for incurring expenses was issued.
- 16.4 As the Company's credit lines and banking facilities were withdrawn or suspended subsequent to its financial difficulties, it was unable to carry on its jet fuel procurement business. To overcome these restrictions and preserve its business, the Company established CAOT which commenced its jet fuel procurement business in December 2004 on an agency business and entered into agency agreements with CAOSC Aviation Oil Co., Ltd, SPIA and South China Bluesky Aviation Oil Co. Ltd to be appointed as their agent for jet fuel procurement, for which services it is paid commissions.
- 16.5 CAOT assists customers in issuing tender letters to potential suppliers of jet fuel and liaises with such customers, but does not assume title nor ownership of the jet fuel. This agency model ensures that the Company is able to continue its business on a relatively risk-free basis and does not require CAOT to have any operating credit facilities of its own, since it does not contract with the suppliers as a principal party.
- 16.6 This agency arrangement by CAOT to carry on the Company's jet fuel procurement business is expected to continue in the transitional period until the new Board and management approves and puts in place an alternative arrangement post-Restructuring Plan.
- 16.7 The Company has also established working teams to work with BPS to develop a plan for the Company to revert to its jet fuel procurement business on a principal basis post-Restructuring Plan. Other components of such plan include the formulation of operational procedures for jet fuel procurement, business process design, and revisions to the Company's financial management and risk management manuals. An integral component is the formulation of a credit plan to address working capital requirements of the Company.



---

## LETTER TO SHAREHOLDERS

---

- 16.8 PWC, as special investigative accountant appointed by the Company under the direction of the SGX-ST to review and investigate the Company's affairs relating to the incurrence of the loss and its surrounding circumstances, has since ended its investigations and in its final report of 3 June 2005, concluded, *inter alia*, that:
- (a) the substantial losses suffered by the Company were caused by the significant risks that resulted from the restructuring of its options portfolio that began in January 2004; and
  - (b) the upward movement in oil prices caused an exponential increase in the negative marked-to-market value of the options portfolio, such that the Company was faced with mounting margin calls which it was eventually unable to meet.
- 16.9 Subsequent to the report of PWC, the Company has taken steps to rebuild market confidence. It appointed, on 30 June 2005, a Corporate Governance Assessment Committee to look into and suggest recommendations for the improvement of the Company's corporate governance and management.
- 16.10 The Corporate Governance Assessment Committee has since delivered its report of 9 December 2005 to the Company, which contains valuable recommendations for the improvement of the Company's corporate governance, risk management, internal controls, and corporate and management structure. The scope of the report covered areas such as the Board of Directors, the various committees, management structure and practices, financial and risk management, investor relations, internal and external audit functions and company manuals. These recommendations are positive, constructive and provide the Company with direction for the future.
- 16.11 Certain material recommendations of the Corporate Governance Assessment Committee include the following:
- (a) Board Constitution. The restructure of the constitution of the Board to comprise at least three independent Directors as well as to ensure compliance with the one-third requirement of the Code of Corporate Governance.
  - (b) Communication between Board and Management. The implementation of a procedure to ensure a better flow of information between the Board and management and that the flow must include the provision of monthly financial statements with accompanying explanatory notes.
  - (c) Company Secretary. The engagement of a full-time trained company secretary who shall support the Board as a whole and each of the committees.
  - (d) Training. The introduction of a comprehensive training structure for:
    - (i) all new Board members when they are first appointed;
    - (ii) Directors appointed to the Board who have never sat on the Board of a listed company, or are unfamiliar with the Singapore environment;
    - (iii) each of the committees; and
    - (iv) all key employees touching amongst other areas, on details of the various policies of the Company, their roles, duties and responsibilities, the importance of risk management, and the reporting and disclosure of misfeasance.
- The Company should also encourage and support periodic continuing training sessions.
- (e) Internal Audit. The introduction of procedures relating to the conduct of the internal audit and internal audit support including:

---

## LETTER TO SHAREHOLDERS

---

- (i) establishing a competent internal audit support team which has a good understanding of the Company's structure and business;
  - (ii) ensuring that the internal auditor reports directly to the Audit Committee; and
  - (iii) ensuring that the internal auditor prepares for the approval of the Audit Committee the internal annual audit plan.
- (f) Whistleblowing. The implementation of a suitable procedure for whistleblowing.
- (g) Review of Risk Management Manual. The revised Risk Management Manual should set out the appropriate hedging policy and procedures and also contain provisions for risk monitoring, compliance and validation activities.
- (h) Review of Financial Management Manual. The Financial Management Manual should be revised by incorporating provisions on trade settlement, reconciliations and controls.
- (i) Preparation of Annual Internal Audit Plan. The Board (via the Audit Committee) should ensure that the new (outsourced) annual internal audit function prepares a comprehensive internal audit plan.
- (j) Developing and Implementing a Fraud Control Plan. The Board should develop and implement a fraud control plan that comprises periodic fraud risk assessments.
- (k) External Auditors and Audit Committee. The Company should review the appointment of its current external auditors and Audit Committee.

16.12 As announced on 21 December 2005, the Directors affirm the recommendations of the Corporate Governance Assessment Committee. The Company is further committed to improving its corporate governance, risk management, internal controls, and corporate and management structure as part of its overall restructuring. As the Board composition is going to change post-Restructuring Plan (in particular, 2 Directors nominated by BP has been proposed for appointment onto the Board in the EGM), these recommendations will be referred to the new Board to be constituted post-Restructuring Plan to review and implement as appropriate.

16.13 The Special Task Force and a transitional working team from BP, taking into account the recommendations of the Corporate Governance Assessment Committee, are also working on proposals to improve the internal controls and systems of the Company, as well as improvements in the management structure and operational procedures.

16.14 On Completion and post-Restructuring Plan, pursuant to the Shareholders Agreement and in line with the recommendations of the Corporate Governance Assessment Committee, the new Board will consist of a maximum of 9 Directors, which will include 3 independent Directors. The new Board will further appoint and constitute or re-constitute (as applicable) the following committees:

- (a) Audit Committee;
- (b) Remuneration Committee;
- (c) Nominating Committee;
- (d) Disclosure Committee; and
- (e) Risk Management Committee.

Please refer to paragraph 6.5 above for more details on these committees.

---

## LETTER TO SHAREHOLDERS

---

- 16.15 To enable the Company to tap on the governance standards and trading expertise of BP, BP will be entitled to nominate one of its nominee Directors to each of the Nominating Committee, Risk Management Committee and Disclosure Committee, and BP will also nominate the Head of Risk (who will be a member of the Risk Management Committee) and the Head of Trading of the Company.
- 16.16 Furthermore, with the assistance of and in consultation with BP, the Company will as soon as practicable after the Completion Date:
- (a) adopt and implement a risk management and control framework consistent with the G30 Recommendations, including risk management and trading policies, practices and controls in respect of its aviation fuel trading activities and to manage the risks associated with any derivatives trading activities of the Company ("**Risk Management Policies**"); and
  - (b) ensure that such framework is audited and tested for compliance with the G30 Recommendations on an on-going basis.
- 16.17 With the initiatives already undertaken and the expected implementation in due course of appropriate recommendations of the Corporate Governance Assessment Committee and the Special Task Force and transitional working team from BP, and together with the appointment of the new compliance adviser prior to the EGM to advise the Board on matters relating to all laws, rules and regulations, it is expected that the Company's corporate governance will be strengthened and strict compliance adhered to in the future.

### 17. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 17.1 CAOHC is the controlling Shareholder of the Company, and is a party to the Investment Agreement and the Subscription Agreement. It is also a party to the Shareholders' Agreement (with BP) and Business Co-operation Agreement (with BPS and the Company).
- 17.2 Our Directors, namely Jia Changbin, Gu Yanfei, Li Yongji, Chen Kaibin, and Zhang Lianxi are, in view of their association with CAOHC, indirectly interested in the issue of the CAOHC Investment Shares and CAOHC Conversion Shares, and have abstained from making any recommendation to Shareholders specifically in relation thereto.
- 17.3 CAOHC shall abstain from voting on the issues of the CAOHC Investment Shares (Ordinary Resolution 2), CAOHC Shareholder's Loan Conversion Shares (Ordinary Resolution 3) and CAOHC Dividend Conversion Shares (Ordinary Resolution 4). CAOHC shall be entitled to vote its Shares in respect of all the other resolutions set out in the EGM Notice. Please refer to paragraphs 6.28 and 6.29 above. CAOHC and our Directors associated with it shall decline to accept appointment as proxies for any Shareholder to vote in respect of Ordinary Resolutions 2, 3 and 4, unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his vote is to be cast in respect of these resolutions.
- 17.4 Save as disclosed above, none of the Directors or substantial Shareholders of the Company has any interest, direct or indirect, in the Restructuring Plan.

### 18. FINANCIAL ADVISER

- 18.1 **Financial Adviser.** The Company has appointed DTCF as its financial adviser in respect of the equity issuance under the Restructuring Plan. DTCF has given and not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references to its name in the form and context in which it appears in this Circular.
- 18.2 **Responsibility Statement.** DTCF acknowledges that, based on the information provided by the Company and having made reasonable enquiries with the Company and to the best of its

---

## LETTER TO SHAREHOLDERS

---

knowledge and belief, the information relating to the Restructuring Plan in this Circular is true and accurate in all material respects, and it is not aware of any material facts the omission of which would make any statement in this Circular misleading. Where the information in the Circular has been extracted from published and publicly available sources or otherwise based on the information provided by the Company, the sole responsibility of DTCF has been to ensure through reasonable enquiries that such information is accurately extracted from these sources or, as the case may be, reflected or reproduced in this Circular.

### 19. INDEPENDENT FINANCIAL ADVISER

The Independent Directors have appointed KPMG Corporate Finance to advise them in relation to the issue of the CAOHC Investment Shares and CAOHC Conversion Shares, as well as the methods and procedures for determining the transaction prices under the Business Co-operation Agreement. The Independent Financial Adviser has given and not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references to its name in the form and context in which it appears in this Circular. The recommendation of the Independent Financial Adviser is attached as Appendix V to this Circular.

### 20. DIRECTORS' RECOMMENDATION

- 20.1 Having considered the terms of the Restructuring Plan, the Directors, save as provided in paragraph 20.2 below, are of the opinion that the Restructuring Plan is in the interests of the Company and Shareholders. Accordingly, the Directors, save as provided in paragraph 20.2 below, recommend that Shareholders vote in favour of all the resolutions to be proposed at the EGM.
- 20.2 Our Directors, namely Jia Changbin, Gu Yanfei, Li Yongji, Chen Kaibin, and Zhang Lianxi are, in view of their association with CAOHC, indirectly interested in the issue of the CAOHC Investment Shares and CAOHC Conversion Shares, and have abstained from making any recommendation to Shareholders specifically in relation thereto.

### 21. EXTRAORDINARY GENERAL MEETING

- 21.1 The EGM will be held at **Hall 8, Singapore Expo, 1 Expo Drive, Singapore 486150 on 3 March 2006 at 3:30 p.m.** (or as soon thereafter following the conclusion of the Shareholders' Scheme meeting to be held on the same day) for the purpose of considering and, if thought fit, passing with or without any modification, the resolutions set out in the EGM Notice.
- 21.2 A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at 48 hours before the EGM.

### 22. ACTION TO BE TAKEN BY SHAREHOLDERS

- 22.1 You will find enclosed with this Circular the EGM Notice and a Proxy Form.
- 22.2 If you are unable to attend the EGM and you wish to appoint a proxy to attend and vote on your behalf, you should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company, not later than 48 hours before the time fixed for the EGM. Your completion and return of a Proxy Form will not prevent you from attending and voting in person at the EGM if you so wish.

**23. INTERCONDITIONALITY**

In relation to the resolutions pertaining to the Restructuring Plan as set out in the EGM Notice, Shareholders should note in particular that:

- (a) the issue of the CAOHC Investment Shares, the CAOHC Shareholder's Loan Conversion Shares, the CAOHC Dividend Conversion Shares, the BP Investment Shares, the Aranda Investment Shares and the Creditors' Invitation Shares are conditional on the approval of the Shareholders' Scheme by Shareholders at the Shareholders' Scheme meeting to be held immediately prior to the EGM, and Shareholders' approval of the Share Consolidation at the EGM; and
- (b) the completion of the issue and allotment of the CAOHC Investment Shares, the CAOHC Shareholder's Loan Conversion Shares, the CAOHC Dividend Conversion Shares, the BP Investment Shares and the Aranda Investment Shares are inter-conditional under the Investment Agreement and the Subscription Agreement.

**24. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the date of this Circular and that there are no material facts the omission of which would make any statement in this Circular misleading. Where information has been extracted and/or reproduced from published and publicly available sources, the sole responsibility of the Directors has been to ensure that such information is accurately reproduced in this Circular.

Yours faithfully,

Jia Changbin  
*Non-Executive Chairman*  
For and on behalf of the Board of Directors

---

## APPENDIX I

---

### ADDITIONAL INFORMATION

#### 1. DISCLOSURE OF INTERESTS

1.1 **Directors.** As at the Latest Practicable Date, none of the Directors have any interest in the Shares of the Company.

1.2 **Substantial Shareholders.** The interests of the Substantial Shareholders in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
CAOHC	580,608,000	60.00	–	–

1.3 **CAOHC and its Associates.** The interests of CAOHC and its associates in the Shares as at the Latest Practicable Date are set out below:

Name of Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
CAOHC	580,608,000	60.00	–	–

#### 2. MATERIAL LITIGATION

Save as set out in [Appendix VI](#) and claims under the Creditors' Scheme, the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which, in the opinion of the Directors, might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

#### 3. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during normal office hours from the date of this Circular up to and including the date of the EGM:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the Company's announcements on the Creditors' Scheme dated 12 May 2005 and 24 May 2005, and the terms and conditions of the Creditors' Scheme dated 24 May 2005;
- (iii) the Company's announcements on PWC's findings dated 29 March 2005 and 3 June 2005;
- (iv) the Company's announcement on the Restructuring Plan dated 5 December 2005;
- (v) the Company's announcements on the FY2004 full-year audited, and FY2005 first, second and third quarterly unaudited, financial statements dated 5 December 2005 and 8 December 2005, respectively;
- (vi) the Investment Agreement;
- (vii) the Subscription Agreement;

---

## APPENDIX I

---

- (viii) the Business Cooperation Agreement.
- (ix) the Memorandum of Understanding;
- (x) the Offer Information Statement dated 9 December 2005;
- (xi) the Company's announcement on the lodgement of the Offer Information Statement and the revised post-Restructuring Plan shareholding structure of the Company dated 9 December 2005;
- (xii) the Company's announcement on, *inter alia*, the Shareholders' Record Date dated 27 January 2006;
- (xiii) the Company's announcement on the recommendations of the Corporate Governance Assessment Committee dated 12 December 2005 and 21 December 2005; and
- (xiv) the annual report of the Company for FY2004 and the notice of Annual General Meeting of the Company dated 16 January 2006.

---

**APPENDIX II**

---

**PRE AND POST-RESTRUCTURING PLAN SHARE CAPITAL STRUCTURE**

	Pre-Restructuring Plan		Post-Restructuring Plan	
	No. of Shares	% Shareholding	No. of Shares	% Shareholding <sup>(3)</sup>
<b>CAOHC<sup>(1)</sup></b>	580,608,000	60.00	367,777,427	50.88
<b>BP<sup>(2)</sup></b>	–	–	144,564,119	20.00
<b>Aranda</b>	–	–	33,611,158	4.65
<b>Creditors</b>	–	–	72,282,000	10.00
<b>Minority Shareholders</b>	387,071,992	40.00	104,585,833	14.47
<b>Total</b>	967,679,992	100.00	722,820,537	100.00

**Notes:**

- (1) CAOHC's aggregate shareholding interest of 367,777,427 Shares in the Company post-Restructuring Plan, representing 50.88% of the Post-Restructuring Plan Share Capital, comprises:
- (a) 116,121,600 Shares, arising from its existing Shares in the Company after the Share Consolidation;
  - (b) 2,709,843 new Shares, arising from the conversion of the balance dividend owing to it (after waiver); and
  - (c) 248,945,984 new Shares, arising from its cash subscription of US\$75,770,000 (based on the Fixed Exchange Rate).
- (2) This excludes Shares in the Company which BP's affiliates may, as Creditors of the Company, subscribe pursuant to the Creditors' Share Invitation.
- (3) The percentages relating to shareholding interest are based on the assumption that the Restructuring Plan is implemented in its entirety.



## APPENDIX III

### I. EFFECT OF RESTRUCTURING PLAN ON SHARE CAPITAL OF THE GROUP

	As at 31 December 2004		As at 30 September 2005		After Implementation of the Restructuring Plan	
	Value (\$'000)	No. of Shares	Value (\$'000)	No. of Shares	Value (\$'000)	No. of Shares
Issued and Paid-Up Share Capital	98,537	967,679,992	98,537	967,679,992	371,119	722,820,537

**Notes:**

- (1) In light of the abolition of the par value of shares with effect from 30 January 2005, the share premium balance of the Group, amounting to S\$50,153,000, is included in the share capital account of the Group in the above illustration.
- (2) The change in issued and paid-up share capital, as well as the number of Shares, arising from the issues of new Shares under the Restructuring Plan, which will take place sequentially on the Completion Date as set out below, is as follows:
  - (a) *After Share Consolidation*: S\$98,537,000, comprising 193,535,998 Shares;
  - (b) *After Issue of CAOHC Conversion Shares*: approximately S\$113,926,000, comprising 223,417,276 Shares;
  - (c) *After Issue of CAOHC Investment Shares*: approximately S\$242,133,000, comprising 472,363,260 Shares;
  - (d) *After Issue of BP Investment Shares*: approximately S\$316,584,000, comprising 616,927,379 Shares;
  - (e) *After Issue of Aranda Investment Shares*: approximately S\$333,893,000 comprising 650,538,537 Shares; and
  - (f) *After Issue of Creditors' Invitation Shares*: approximately S\$371,119,000, comprising 722,820,537 Shares.

### II. EFFECT OF RESTRUCTURING PLAN ON NTA PER SHARE, EPS AND GEARING OF THE GROUP

**(a) NTA per Share**

Purely for illustrative purposes only, and assuming that the Restructuring Plan is implemented in its entirety and the new Shares to be issued by the Company pursuant to the Restructuring Plan are issued on 30 September 2005, the NTA per share of the Company, based on the FY2005 third quarter unaudited financial statements of the Company is as follow:

All figures in S\$'000	As at 31 December 2004	As at 30 September 2005 (Unaudited)	After Implementation of the Restructuring Plan
NTA / (NTL)	(663,429)	(669,550)	(669,550)
<i>Add: Amount of debt waived</i>			512,845 <sup>(1)</sup>
<i>Consideration for new Shares issued</i>			272,581 <sup>(2)</sup>
NTA / (NTL) after deducting estimated expenses	(663,429)	(669,550)	115,877
No. of Shares in the issued and paid-up share capital of the Company (000)	967,680	967,680	722,821
NTA / (NTL) per Share (S\$)	(0.69)	(0.69)	0.16

## APPENDIX III

### Notes:

- (1) Includes approximately S\$322,626,000 of Creditors' debt waived and approximately S\$190,219,000 of CAOHC's debt waived under the Creditors' Scheme.
- (2) Includes consideration of (a) approximately S\$15,389,000 arising from the conversion of CAOHC's shareholder's loan and dividend, (b) approximately S\$128,207,000 arising from the issue of the CAOHC Investment Shares, (c) approximately S\$74,451,000 arising from the issue of the BP Investment Shares, (d) approximately S\$17,310,000 arising from the issue of the Aranda Investment Shares, and (e) approximately S\$37,225,000 arising from the issue of the Creditors' Invitation Shares.

### (b) EPS

Purely for illustrative purposes only, and assuming that the Restructuring Plan is implemented in its entirety and the new Shares to be issued by the Company pursuant to the Restructuring Plan are issued on 1 January 2005, the EPS of the Group, based on the FY2005 third quarter unaudited financial statements of the Company is as follow:

All Figures in S\$'000s	For the period ended 31 December 2004	For the period ended 30 September 2005 (Unaudited)	After Implementation of the Restructuring Plan
Net profit / (loss) attributable to Shareholders	(864,865)	(7,296)	(7,296)
Adjustments			
<i>Less:</i> Interest relating to debt to be restructured <sup>(1)</sup>			7,056
<i>Add:</i> Interest payable on Deferred Debt <sup>(2)</sup>			(7,907)
Adjusted Net profit / (loss) attributable to Shareholders	(864,865)	(7,296)	(8,147)
No. of Shares in the issued and paid-up share capital of the Company	967,680	967,680	722,821
Profit/(Loss) per Share (cents)	(89.38)	(0.75)	(1.13)

### Notes:

- (1) This relates to the interest costs on debts to be restructured under the Creditors' Scheme.
- (2) This relates to the interest payable on the Deferred Debt under the Creditors' Scheme, after taking into account the deduction of approximately US\$12.43 million of Deferred Debt applied by relevant Tranche B Creditors as partial subscription consideration for the Creditors' Invitation Shares.

### (c) Gearing

Purely for illustrative purposes only, and assuming that the Restructuring Plan is implemented in its entirety and the new Shares to be issued by the Company pursuant to the Restructuring Plan are issued on 30 September 2005, the gearing of the Group, based on the FY2005 third quarter unaudited financial statements of the Company is as follow:

---

## APPENDIX III

---

<b>All Figures in S\$'000s</b>	<b>For the period ended 31 December 2004</b>	<b>For the period ended 30 September 2005 (Unaudited)</b>	<b>After Implementation of the Restructuring Plan</b>
Total Borrowings	760,149	787,942	787,942 <sup>(1)</sup>
Add: Debt Written Off			(322,626) <sup>(2)</sup>
Add: Debt Converted			(37,225) <sup>(3)</sup>
Add: Repayment of Debt			(203,774) <sup>(4)</sup>
Net Borrowings			224,317
Surplus / (Deficit) in Shareholders' Funds	(663,429)	(669,550)	115,877 <sup>(5)</sup>
Gearing (times)	(1.15)	(1.18)	1.94 <sup>(6)</sup>

**Notes:**

- (1) "Total Borrowings" refers to the total debt owing to Creditors under the Creditors' Scheme, but excludes CAOHC's shareholder's loan.
- (2) "Debt Written Off" refers to debt waived under the Creditors' Scheme.
- (3) "Debt Converted" refers to the conversion of approximately US\$22 million debt by relevant Tranche B Creditors pursuant to the Creditors' Share Invitation.
- (4) Includes the payment of approximately US\$120.4 million under the Creditors' Scheme, after taking into account the application of approximately US\$9.6 million Tranche B Distribution cash portion by relevant Tranche B Creditors as partial subscription consideration for the Creditors' Invitation Shares.
- (5) Please refer to the effect of the Restructuring Plan on NTA per Share as set out in Section (II)(a) above.
- (6) "Gearing" is computed based on ratio of Total Net Borrowings to Shareholders' Funds.

## SALIENT TERMS OF THE BUSINESS CO-OPERATION AGREEMENT

### I. Term

1. The Business Co-operation Agreement has a duration of approximately 5 years. The Procurement Arrangements (as described below) contemplated under the Business Co-operation Agreement will take effect from the Completion Date, and continue for a minimum period of 2 years from the Completion Date (if the parties agree to replace such Procurement Arrangements with a long term trading arrangement), and for a maximum period of 5 years from the Completion Date (if the parties are unable to agree on a long term trading arrangement to replace the Procurement Arrangements after 2 years from the Completion Date, in which case the Procurement Arrangements will continue for a period of 5 years from the Completion Date) ("**Procurement Period**"), unless terminated earlier as provided under the Business Co-operation Agreement (see below).

### II. Obligations of CAOHC and the Company

2. CAOHC shall, to the extent within its control or influence, preserve and maintain during the Procurement Period its aviation fuel procurement rights and allocation thereof to the Company as contemplated under the Business Co-operation Agreement.
3. The Company is required to enter into aviation fuel procurement agreements with certain specified buyers in the PRC ("**PRC Buyers**") and shall, to the extent within its control or influence, preserve and maintain these agreements during the Procurement Period.

### III. Procurement Arrangements

4. Under the Business Co-operation Agreement, BPS will, *inter alia*, assist the Company in the tender process for the procurement of aviation fuel in the international market to meet the requirements of the PRC Buyers, and for this purpose, the Company agrees to:
  - (a) provide BPS with the information required or desirable to provide such assistance; and
  - (b) ensure secondees or BPS' representatives are invited to participate in meetings or discussions of or with any working groups or committees relating to such procurement.
5. Pursuant to the Business Co-operation Agreement, BPS and the Company have agreed on a set of operational and implementation procedures to implement the Procurement Arrangement and these procedures include the following:
  - (a) The Company will establish a procurement committee ("**Procurement Committee**") comprising its financial controller and trading staff to liaise with BPS and to execute the Procurement Arrangement.
  - (b) The PRC Buyers will be asked to provide to the Company their requirements for aviation fuel for the following calendar quarter or such other period of not less than one calendar month ("**Periodic Requirements**"), including information as to quantities, delivery date range(s), port(s) of discharge and pricing formula(s).
  - (c) The Company will arrange, with BPS' assistance, a competitive tender for the Periodic Requirements, with a view to obtaining the most competitive terms.
  - (d) The process contemplates the drawing up by the Procurement Committee (in consultation with BPS and the PRC Buyers) of a list of approved third party suppliers and standard form tender documentation. The Company will be named as purchaser in the tender documents.
  - (e) The approved third party suppliers will be invited to submit their bids. BPS and its affiliates are not entitled to submit any bid save for a Reserve Bid. The Reserve Bid refers to a sealed

---

## APPENDIX IV

---

bid to be submitted by BPS prior to the tender closing date for a particular tender (“**Reserve Bid**”) and will only be opened in the situations set out in paragraph (g) below.

- (f) Upon the closing of a tender, the Company will review the bids received from the approved suppliers and select the most favourable bids, taking into account *inter alia* price and the volume and timing of deliveries. BPS will be notified of these selected bids and will have a pre-emptive right to match these bids at a price which is lower than the price offered in the said bids.
  - (g) In a situation where there are no bids or insufficient bids received by the Company in response to a tender, the Reserve Bid will be opened. Upon review of the Reserve Bid, the Company may at its option, choose to (aa) agree with BPS an alternative arrangement to meet the shortfall on terms to be mutually agreed; (bb) issue a re-tender; or (cc) require BPS to supply the shortfall in accordance with the terms of the Reserve Bid. In the case where only one offer is received from an approved supplier, and such bid satisfies the full Periodic Requirements, the Company may also open the BPS Reserve Bid and shall select either the bid from the approved supplier or the BPS Reserve Bid, whichever is more favourable. BPS will also be entitled to exercise its aforesaid pre-emptive right if the bid from the approved supplier is more favourable. In all other cases where the Periodic Requirements are fully met, the Reserve Bid will be returned to BPS unopened and unutilised after the close of the tender.
  - (h) If the tender process fails to attract sufficient agreed minimum bids over an agreed period, the Company and BPS will review and discuss modifications to the tender process to facilitate wider participation.
6. For aviation fuel supplied by BPS to the Company under the Procurement Arrangement, BPS shall also pay to the Company a commission by way of discount as specified in the Business Co-operation Agreement.

### IV. Long Term Trading Arrangement

7. After 2 years from the Completion Date, the Company and BPS will consider whether it is appropriate for aforesaid Procurement Arrangements to be replaced by a long term trading arrangement (“**Long Term Trading Arrangement**”) and will in good faith take steps to establish certain systems and processes and fulfill certain agreed requirements which are necessary for the implementation of a Long Term Trading Arrangement.
8. Pending the implementation of the Long Term Trading Arrangement, the Procurement Arrangements set out in the Business Co-operation Agreement will continue until the expiry of the Procurement Period.

### V. Services

9. Under the Business Co-operation Agreement, BPS agrees to provide to the Company certain procurement, training and related services, and risk management services in consideration of the Company making a nominal payment to BPS and reimbursing BPS for costs to be agreed between the Company and BPS.
10. Such services include assistance and expertise in setting up processes and systems, training and development, and assistance with preparation of tender documents.

### VI. Termination of Business Co-operation Agreement

11. The Business Co-operation Agreement also contains certain termination events which allow the non-defaulting party to terminate the Business Co-operation Agreement prior to its expiry.

LETTERS FROM INDEPENDENT FINANCIAL ADVISER

The Independent Directors and the Audit Committee  
China Aviation Oil (Singapore) Corporation Ltd  
8 Temasek Boulevard  
#31-02  
Suntec Tower 3  
Singapore 038988

8 February 2006

Dear Sirs,

**INTERESTED PERSON TRANSACTIONS TO BE ENTERED INTO BY CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD IN RELATION TO THE PROPOSED ISSUE AND ALLOTMENT OF SHARES TO CHINA AVIATION OIL HOLDING COMPANY**

*For the purpose of this letter, terms not otherwise defined herein shall have the same meaning given as in the circular dated 8 February 2006 to the shareholders of China Aviation Oil (Singapore) Corporation Ltd (the “Circular”)*

**1 INTRODUCTION**

This letter has been prepared for inclusion in the circular (the “Circular”) to be issued by China Aviation Oil (Singapore) Corporation Ltd (the “Company” or “CAO”) to the Shareholders of the Company dated 8 February 2006 in connection with the proposed issue and allotment of shares to China Aviation Oil Holding Company (“CAOHC”), the Company’s holding company.

On 5 December 2005, the Company entered into the Investment Agreement with CAOHC and BP Investments Asia Limited (“BP”). Pursuant to the Investment Agreement and subject to the terms and conditions therein, CAOHC will invest US\$75,770,000 (based on the Fixed Exchange Rate) in the Company for 248,945,984 new Shares in the Company (“CAOHC Investment Shares”), comprising approximately 34.44% of the Post-Restructuring Plan Share Capital, at the Issue Price per Share.

In addition, CAOHC will waive US\$113,151,572 (or approximately 92.56%) of the aggregate amount of US\$122,246,334 owing by the company to CAOHC, comprising the outstanding shareholder’s loan of US\$111,155,869 and outstanding declared and unpaid dividend of US\$11,090,465, and convert the balance amount of US\$9,094,762 into 29,881,278 new Shares in the Company (“CAOHC Conversion Shares”), comprising approximately 4.13% of the Post-Restructuring Plan Share Capital, at a conversion price equal to the Issue Price per Share.

Under Chapter 9 of the SGX-ST Listing Manual, where a listed company proposes to enter into a transaction with its interested persons, shareholders’ approval is required in respect of that transaction if its value is equal to or exceeds 5.0% of the latest audited NTA of the listed Group. The Group has an audited net loss of approximately S\$864.8 million as at 31 December 2004. In accordance with Chapter 9 of the SGX-ST Listing Manual and at the direction of the SGX-ST, the Company will have to seek Shareholders’ approval for the proposed issue and allotment of shares to CAOHC.

The term “interested person” means a director, chief executive officer or controlling shareholder of the listed company or an associate of any such person. CAOHC is a controlling Shareholder of the Company as it holds 60% of the issued share capital of the Company as at the Latest Practicable Date. Interested person transactions include the issuance of securities.

The proposed issue and allotment of the CAOHC Investment Shares and CAOHC Conversion Shares (comprising the CAOHC Shareholder's Loan Conversion Shares and CAOHC Dividend Conversion Shares) to CAOHC (or as it may direct) (the "**Transactions**" or "**Interested Person Transactions**") are thus interested person transactions (involving CAOHC as the interested person) within Chapter 9 of the Listing Manual.

In accordance with the requirements of Chapter 9 of the Listing Manual and at the direction of SGX-ST, KPMG Corporate Finance Pte Ltd ("**KPMG Corporate Finance**") has been appointed to provide advice to the benefit of the Company's Independent Directors, the Audit Committee, and Shareholders (the "**Minority Shareholders**") who are entitled to vote at the EGM where this resolution is being tabled on whether the Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders.

## **2 TERMS OF REFERENCE**

We were neither a party to the negotiations entered into by the Company in relation to the Transactions, nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Transactions and we do not, by this letter, warrant the merits of any part of the Transactions other than to form an opinion as to whether the financial terms of the Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, commercial and financial merits and risks of Transactions. We are not addressing the relative merits of the Transactions as compared to any alternative transactions previously considered by CAO or that otherwise may become available to CAO in the future and as such, we do not express an opinion thereon. Such evaluations or comments are and remain the sole responsibility of the Directors and the management of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion.

In the course of our evaluation, we have held discussions with the management and representatives of the Company and the Financial Adviser and have examined publicly available information collated by us as well as information contained in the Circular. We have relied upon and assumed the accuracy of the relevant information, both written and verbal, provided to us by the aforesaid parties. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information. We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position and earnings potential of the Company. The opinion set forth herein is based solely on publicly available information as well as information provided by the management of the Company and is predicated upon the economic and market conditions prevailing as at the date of this opinion. This letter therefore does not reflect any projections on the future financial performance of the Company after the completion of the Transactions.

We have not made any independent evaluation or appraisal of the assets or liabilities (including without limitation, real property and infrastructure) underlying the Transactions. Our view is based upon market, economic, industry, monetary, and other conditions in effect on, and the information made available to us, as at the Latest Practicable Date. Such conditions can change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in the light of any subsequent development after the date of this letter even if it might affect our opinion contained herein.

In rendering our advice and giving our recommendation, we did not have regard to the specific investment objectives, financial situation or unique needs and constraints of any Shareholder or

any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

This letter is addressed to the Independent Directors and the Audit Committee for their benefit in connection with and for the purposes of their consideration of the Transactions, and any recommendations made by them, where applicable, shall remain the responsibility of the Independent Directors and the Audit Committee.

This letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter. No other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner except with KPMG Corporate Finance's prior written consent in each specific case.

**Our opinion in relation to the Transactions, as set out on section 6.25 of the Circular, should be considered in the context of the entirety of this letter and the Circular.**

### **3. RESTRUCTURING PLAN**

#### **3.1. Background**

On 30 November 2004, the Company announced, *inter alia*, that:

- (a) it had suffered significant losses from speculative oil derivatives trading, and that it had, on 29 November 2005, applied for and obtained an order from the High Court of Singapore pursuant to Section 210 of the Act to convene a meeting of its Creditors to consider a proposed scheme of arrangement;
- (b) it had suspended the duties of its chief executive officer, Chen Jiulin;
- (c) it had appointed a Special Task Force, led by Madam Gu Yanfei, General Manager, Investment Department of CAOHC and Director of the Company, to manage the critical affairs of the Company, including to restructure and rehabilitate the Company, and to assist in any investigation thereof;
- (d) it had appointed, under the direction of the SGX-ST, PWC, as special investigative accountant to review and investigate the Company's affairs relating to the incurrence of the loss and its surrounding circumstances for report to the SGX-ST; and
- (e) trading of the Company's Shares on the SGX-ST had been suspended, at the request of the Company.

Since then, the Company, led by the Special Task Force and supported by CAOHC, has deployed substantial efforts and resources to restructure its debts and equity with a view to rehabilitating itself as a going concern.

The Company is presently acting as an investment holding company. The Company incorporated a wholly-owned subsidiary, CAOT, after it commenced its debt and equity restructuring exercise, to carry on the core business of jet fuel procurement. CAOT acts as an agent buyer of aviation fuel in the PRC, and organises, conducts and advises on jet fuel tender exercises amongst major aviation fuel suppliers. CAOT thereby generates commission income while keeping alive the business of jet fuel procurement within the Company.

On 5 December 2005, the Company announced its Restructuring Plan to rehabilitate itself as a going concern, and in connection therewith, entered into:



- (a) a conditional investment agreement with CAOHC and BP, a wholly-owned subsidiary of BP Global Investments Limited, in relation to their proposed investment in the Company; and
- (b) a conditional subscription agreement with Aranda, an indirect wholly-owned subsidiary of Temasek, in relation to its proposed subscription of Shares in the Company.

### **3.2 Proposed Restructuring Plan**

The proposed Restructuring Plan of the Company ("**Restructuring Plan**") is an overall debt and equity restructuring exercise aimed at rehabilitating the Company as a going concern and lifting the suspension of trading of the Company's Shares on the SGX-ST.

The Restructuring Plan encompasses, *inter alia*, the implementation of the following:

- (a) the Creditors' Scheme, details of which are set out in Section 2 of the Circular;
- (b) the Share Consolidation, details of which are set out in Section 5 of the Circular;
- (c) the issue of new Shares of the Company to:
  - (i) CAOHC, in consideration of its cash injection pursuant to the Investment Agreement and Subscription Agreement and CAOHC's debt conversion (after waiver), details of which are set out in Section 6 of the Circular;
  - (ii) BP, in consideration of its cash injection pursuant to the Investment Agreement, details of which are set out in Section 6 of the Circular;
  - (iii) Aranda, in consideration of its cash injection pursuant to the Subscription Agreement, details of which are set out in Section 6 of the Circular; and
  - (iv) Certain Tranche B Creditors, pursuant to the Creditors' Share Invitation, details of which are set out in Section 7 of the Circular; and
- (d) the Shareholders' Scheme (including the issue of the CAOHC Shareholder's Loan Conversion Shares to the Scheme Shareholders pursuant to the MAS Settlement), details of which are set out in Section 8 of the Circular.

The proposed issue and allotment of the CAOHC Investment Shares and CAOHC Conversion Shares (comprising the CAOHC Shareholder's Loan Conversion Shares and CAOHC Dividend Conversion Shares) to CAOHC (or as it may direct) are a part of the Restructuring Plan of the Company.

We recommend that the Independent Directors and the Audit Committee advise Minority Shareholders to read section 4 of the Circular for more information on the Restructuring Plan.

We would also like to highlight that the issue of the CAOHC Investment Shares, the CAOHC Shareholder's Loan Conversion Shares, the CAOHC Dividend Conversion Shares, the BP Investment Shares, the Aranda Investment Shares and the Creditors' Invitation Shares are conditional on the approval of the Shareholders' Scheme by Shareholders, and Shareholders' approval to the Share Consolidation. In addition, the issue of the CAOHC Investment Shares, the CAOHC Shareholder's Loan Conversion Shares, the CAOHC Dividend Conversion Shares, the BP Investment Shares and the Aranda Investment Shares are inter-conditional, so that none of them will take place if the others do not.

#### **4. EVALUATION OF THE INTERESTED PERSON TRANSACTIONS**

The Transactions are part of the overall Restructuring Plan and therefore, in order to evaluate the Transactions, we have considered the impact of the overall Restructuring plan on the Group.

In the course of our evaluation, we have given due consideration to, *inter alia*, the following factors:

- (a) the financial situation of the Group prior to the restructuring;
- (b) the rationale for the Restructuring Plan;
- (b) the proforma financial effects of the Restructuring Plan;
- (d) the comparison with debt restructuring exercises of companies listed on the SGX-ST; and
- (e) other relevant considerations.

##### **4.1 The Financial Situation of the Group Prior to the Restructuring**

Section 3 of the Circular details the profit and loss accounts of the Group for the financial years ended 31 December 2004 and the unaudited financial statements for the first, second and third quarters for the financial year ended 30 December 2005. We recommend that the Independent Directors and the Audit Committee advise the Minority Shareholders to read this section of the Circular carefully.

We have noted from the extract of the auditors' report dated 5 December 2005 as attached to the Company's FY2004 financial statements that the losses of the Group and the conditions to the implementation of the Restructuring Plan indicate that there is material uncertainty which may cast doubt about the ability of the Group and the Company to continue as going concerns. The ability of the Group and the Company to meet their financial obligations to continue as going concerns depends on the implementation of the Restructuring Plan as well as the Group generating sufficient positive cash flows from its operations post-Restructuring Plan. If the Group or the Company are unable to continue in operational existence for the foreseeable future, they may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify long-term assets and liabilities as current assets and liabilities. No such adjustments have been made to the FY2004 financial statements of the Company.

##### **4.2 The Rationale for the Restructuring Plan**

Section 4 of the Circular details the Restructuring Plan and sets out the rationale for the same. We recommend that the Independent Directors and the Audit Committee advise the Minority Shareholders to read this section of the Circular carefully.

In view of the Company's financial condition and difficulties, the Directors of the Company are of the opinion that the Restructuring Plan:

- (a) represents a comprehensive and necessary solution to effectively rehabilitate the Group as a going concern;
- (b) seeks to:
  - (i) avoid the receivership, judicial management or liquidation of the Company;

## APPENDIX V

- (ii) resolve the liabilities of the Company in a manner which benefits the Company, the Shareholders and the Creditors on a balanced basis (taking into account also the commercial requirements of BP, Aranda and CAOHC); and
- (iii) allows the Company to continue operations and eventually be a financially viable entity;
- (c) increases CAOHC's cash investment in the Company, and strengthens its incentive to improve Shareholders' value, to the benefit of all Shareholders;
- (d) introduces BP as a strategic investor of the Company, with a substantial stake of approximately 20.00%, and offers opportunities for the Company to tap on the energy supply and trading expertise of its affiliate, BPS, including expertise in trading and risk management;
- (e) introduces Temasek (through its indirect wholly-owned subsidiary, Aranda) as a financial investor of the Company, with a stake of approximately 4.65%. With its extensive global business network, Temasek's involvement may contribute to the future of the Company;
- (f) is a critical step towards lifting the suspension in trading of Shares of the Company; and
- (g) allows the Shareholders and the Creditors (who participate in the Creditors' Share Invitation) to eventually hold Shares in a stronger Company with a healthier balance sheet, and possibly the opportunity to liquidate their equity holdings or realise their investments subsequently.

### 4.3 The Proforma Financial Effects of the Restructuring Plan

The proforma financial effects of the debt restructuring, based on the audited consolidated financial statements of the Group as at 31 December 2004, the unaudited consolidated financial statements of the Group as at 30 September 2005 and the relevant basis and assumptions are set out in Appendix III of the Circular under the sections "Effect of Restructuring Plan on Share Capital of the Group" and "Effect of Restructuring Plan on NTA per share, EPS and Gearing of the Group". We recommend that the Independent Directors and the Audit Committee advise the Minority Shareholders to read this Appendix carefully.

#### (a) Share capital

We reproduce the following table from Appendix III of the Circular:

	As at 31 December 2004		As at 30 September 2005		After Implementation of the Restructuring Plan	
	Value (S\$000)	No. of Shares	Value (S\$000)	No. of Shares	Value (S\$000)	No. of Shares
Issued and Paid-Up Share Capital	98,537	967,679,992	98,537	967,679,992	371,119	722,820,537

We note that the Restructuring Plan would result in an increase in share capital of the Company from approximately S\$98.5 million as at 31 December 2004 and 30 September 2005 before the Restructuring Plan to approximately S\$371.1 million upon the completion of the Restructuring Plan.

---

**APPENDIX V**

---

**(b) NTA per share**

We reproduce the following table from Appendix III of the Circular:

<b>All figures in S\$'000</b>	<b>As at 31 December 2004</b>	<b>As at 30 September 2005 (Unaudited)</b>	<b>After Implementation of the Restructuring Plan</b>
NTA / (NTL)	(663,429)	(669,550)	(669,550)
<i>Add:</i> Amount of debt waived			512,845 <sup>(1)</sup>
Consideration for new Shares issued			272,581 <sup>(2)</sup>
NTA / (NTL) after deducting estimated expenses	(663,429)	(669,550)	115,877
No. of Shares in the issued and paid-up share capital of the Company (000)	967,680	967,680	722,821
NTA / (NTL) per Share (S\$)	(0.69)	(0.69)	0.16

**Notes:**

- (1) Includes approximately S\$322,626,000 of Creditors' debt waived and approximately S\$190,219,000 of CAOHC's debt waived under the Creditors' Scheme.
- (2) Includes consideration of (a) approximately S\$15,389,000 arising from the conversion of CAOHC's shareholder's loan and dividend, (b) approximately S\$128,207,000 arising from the issue of the CAOHC Investment Shares, (c) approximately S\$74,451,000 arising from the issue of the BP Investment Shares, (d) approximately S\$17,310,000 arising from the issue of the Aranda Investment Shares, and (e) approximately S\$37,225,000 arising from the issue of the Creditors' Invitation Shares.

We note that the Restructuring Plan would result in a change in NTA per Share from negative S\$0.69 at 31 December 2004 and 30 September 2005 to S\$0.16 after considering the Share Consolidation and S\$0.03 without considering the Share Consolidation. The improvement in NTA per Share post restructuring is due to the waiver of approximately S\$512.8 million in debt and the cash injection of approximately S\$272.6 million.

**(c) EPS**

We reproduce the following table from Appendix III of the Circular:

<b>All Figures in S\$'000s</b>	<b>For the period ended 31 December 2004</b>	<b>For the period ended 30 September 2005 (Unaudited)</b>	<b>After Implementation of the Restructuring Plan</b>
Net profit / (loss) attributable to Shareholders	(864,865)	(7,296)	(7,296)
Adjustments			
<i>Less:</i> Interest relating to debt to be restructured <sup>(1)</sup>			7,056
<i>Add:</i> Interest payable on Deferred Debt <sup>(2)</sup>			(7,907)
Adjusted Net profit / (loss) attributable to	(864,865)	(7,296)	(8,147)

## APPENDIX V

All Figures in S\$'000s	For the period ended 31 December 2004	For the period ended 30 September 2005 (Unaudited)	After Implementation of the Restructuring Plan
Shareholders			
No. of Shares in the issued and paid-up share capital of the Company	967,680	967,680	722,821
Profit/(Loss) per Share (cents)	(89.38)	(0.75)	(1.13)

**Notes:**

- (1) This relates to the interest costs on debts to be restructured under the Creditors' Scheme.
- (2) This relates to the interest payable on the Deferred Debt under the Creditors' Scheme, after taking into account the deduction of approximately US\$12.43 million of Deferred Debt applied by relevant Tranche B Creditors as partial subscription consideration for the Creditors' Invitation Shares.

Considering the audited financial statements of the Group for the year ended 31 December 2004 and assuming that the Restructuring Plan is implemented in its entirety and the new shares to be issued by the Company pursuant to the Restructuring Plan are issued on 31 December 2004, the Restructuring Plan would result in a decrease in Loss per Share from 89.3 cents to 1.13 cents after considering the Share Consolidation and a decrease in Loss per Share to 0.23 cents without considering the Share Consolidation.

Considering the unaudited financial statements of the Group for the nine months ended 30 September 2005 and assuming that the Restructuring Plan is implemented in its entirety and the new shares to be issued by the Company pursuant to the Restructuring Plan are issued on 30 September 2005, the Restructuring Plan would change the Loss per Share from 0.75 cents to 1.13 cents after considering the Share Consolidation and to 0.23 cents without considering the Share Consolidation.

The changes in Earnings/Loss per Share are due mainly to the reduction in the number of shares in the issued and paid-up share capital of the Company from 967,679,992 to 722,820,537. Without considering the Share Consolidation, the number of shares will increase to 3,614,102,685.

**(d) Gearing**

We reproduce the following table from Appendix III of the Circular:

All Figures in S\$'000s	For the period ended 31 December 2004	For the period ended 30 September 2005 (Unaudited)	After Implementation of the Restructuring Plan
Total Borrowings	760,149	787,942	787,942 <sup>(1)</sup>
Add: Debt Written Off			(322,626) <sup>(2)</sup>
Add: Debt Converted			(37,225) <sup>(3)</sup>
Add: Repayment of Debt			(203,774) <sup>(4)</sup>
Net Borrowings			224,317
Surplus / (Deficit) in Shareholders' Funds	(663,429)	(669,550)	115,877 <sup>(5)</sup>
Gearing (times)	(1.15)	(1.18)	1.94 <sup>(6)</sup>

---

## APPENDIX V

---

### Notes:

- (1) "Total Borrowings" refers to the total debt owing to Creditors under the Creditors' Scheme, but excludes CAOHC's shareholder's loan.
- (2) "Debt Written Off" refers to debt waived under the Creditors' Scheme.
- (3) "Debt Converted" refers to the conversion of approximately US\$22 million debt by relevant Tranche B Creditors pursuant to the Creditors' Share Invitation.
- (4) Includes the payment of approximately US\$120.4 million under the Creditors' Scheme, after taking into account the application of approximately US\$9.6 million Tranche B Distribution cash portion by relevant Tranche B Creditors as partial subscription consideration for the Creditors' Invitation Shares.
- (5) Please refer to the effect of the Restructuring Plan on NTA per Share as set out above.
- (6) "Gearing" is computed based on ratio of Total Net Borrowings to Shareholders' Funds.

As at 31 December 2004, the Group had total borrowings (excluding CAOHC's shareholder's loan) of approximately \$760.1 million, and a deficit of approximately S\$663.4 million in shareholder's funds. As at 30 September 2005, the Company had total borrowings of approximately S\$787.9 million, and a deficit of approximately S\$669.6 million in shareholder's funds. As there is a deficit in shareholder's funds on both the relevant dates, the calculation of gearing ratios prior to the Restructuring Exercise is not meaningful.

Through the waiver of debt by creditors under the Creditors' Scheme, the conversion of debt to equity by creditors under the Creditor's Share Invitation and the waiver of debt and the conversion of debt to equity by CAOHC under the Investment Agreement under the Restructuring Plan, borrowings will be reduced to approximately S\$224.3 million. This will also result in a net surplus of approximately S\$115.9 million in shareholders' funds after the implementation of the Restructuring Plan, equivalent to a gearing of 1.94 times.

#### 4.4 Comparison with Debt Restructuring Exercises of Companies Listed on the SGX-ST

In assessing the reasonableness of the price-to-NTA ratio as implied by the CAO Restructuring Plan and the dilution impact to the Minority Shareholders, we have reviewed the circulars of companies listed on the SGX-ST with debt restructuring exercises (the "**Restructuring Exercises**") to provide an illustration of, *inter alia*, the typical premium/discount represented by the new share price to the last traded price prior to the announcements of the restructuring exercises, and the price-to-NTA as implied by the prices of the new shares issued pursuant to the debt restructuring exercises. We have chosen those restructuring exercises that involved the issue of new shares to creditors (in settlement of debts owing) or to white knights for cash or in exchange for a cash injection into the relevant companies. We have excluded debt restructuring exercises that involved the acquisitions of businesses from white knights. The transactions chosen are from 1 January 2003 to the Latest Practicable Date.

**However, we would like to stress that given that the circumstances of each debt restructuring exercise are unique, and since the companies selected are engaged in businesses in different industries to that of the Company, the comparison between the Restructuring Plan and the Restructuring Exercises serves as an illustrative guide only.**

The Restructuring Exercises and relevant information relating to them are set out on the following pages.

**APPENDIX V**

<b>Debt Restructuring Companies</b>	<b>Brief Description</b>	<b>Issue price per share <sup>(1)</sup></b>	<b>Premium/Discount to last traded price prior to announcement</b>	<b>NTA per share pre-exercise</b>	<b>NTA per share post-exercise</b>	<b>Price to NTA per share pre-exercise</b>	<b>Price to NTA per share post-exercise</b>	<b>Dilution impact to Minority shareholders</b>
Wee Poh Holdings Limited (Circular dated 30 Jul 2003)	Restructuring of debt of approximately \$4m by the allotment and issue of 80m new shares at \$0.05 each and the issue of 1.5b new shares to the white knights for a cash consideration of \$7.5m (or \$0.005 for each new share).	0.50 cent (for issue to white knights) 5.00 cents (for debt conversion)	Discount of 88.9% Premium of 11.1%	3.70 cents	0.90 cent (taking into effect the rights issue associated with the exercise)	0.14 times	0.56 times	82.9% to 88.8% (taking into consideration the rights issue associated with the exercise)
CAM International Holdings Ltd. (Circular dated 18 Aug 2003)	Restructuring of debt of approximately \$22m by the conversion of 30% of the debt to equity by the allotment and issue of new shares and the forgiveness of 70% of the debt and the issue of 350m new shares to the white knights for a cash consideration of \$10.5m.	3.00 cents for debt conversion	n.m. <sup>(3)</sup>	(9.63) cents	2.09 cents	n.m. <sup>(2)</sup>	1.44 times	82.6%
Freight Links Express Holdings Limited (Circular dated 3 Oct 2003)	Allotment and issue of 293m new shares to Vibrant Capital Pte Ltd at 2.00 cents each for cash and grant of an option to Vibrant Capital Pte Ltd to subscribe for 293m new shares at 2.50 cents each.	2.00 cents for the issue to white knight 2.50 cents for the option	Discount of 33.3% Discount of 16.7%	2.92 cents	2.55 cents (excluding the effects of the option) 2.52 cents (including the effects of the option)	0.68 times for the placement	0.78 times for the placement	35.1% (excluding the effects of the option) 51.9% (including the effects of the option)

**APPENDIX V**

<b>Debt Restructuring Companies</b>	<b>Brief Description</b>	<b>Issue price per share <sup>(1)</sup></b>	<b>Premium/Discount to last traded price prior to announcement</b>	<b>NTA per share pre-exercise</b>	<b>NTA per share post-exercise</b>	<b>Price to NTA per share pre-exercise</b>	<b>Price to NTA per share post-exercise</b>	<b>Dilution impact to Minority shareholders</b>
Interra Resources Limited (formerly known as Van der Horst Limited) (Circular dated 6 June 2003)	Issue of 815m new shares, including the issue of 120m new shares to Shantex Holdings Pte Ltd for the restructuring of its debt	8.69 cents	n.m. <sup>(4)</sup>	(157.00) cents	1.00 cent	n.m. <sup>(2)</sup>	8.70 times	92.3%
ASTI Holdings Limited (Circular dated 26 Aug 2003)	Proposed allotment and issue of up to 162.7b new shares to Mr Michael Loh, a strategic investor, comprising a placement of 54.2m new shares and an option for the remaining 108.5m new shares	12.80 cents for the issue to the white knight 15.40 cents for the option	Discount of 39.1%	7.35 cents	8.22 cents (excluding the effects of the option)	1.74 times for the placement	1.56 times for the placement	17.7% (excluding the effects of the option)
L&M Group Investments Limited (Circular dated 10 Mar 2004)	Issue of 5.8b new shares to the Soeryadjaya family and United Overseas Bank Limited in relation to the restructuring and debt conversion of borrowings of \$58m.	1.00 cent for both the issue to white knight and debt conversion	Discount of 50.0%	(2.54) cents	0.11 cent	n.m. <sup>(2)</sup>	9.09 times	74.8%
I.R.E. Corporation Limited (Circular dated 23 July 2004)	Debt conversion exercise: - before the conversion of the SCB and IFL restructured loans - after the conversion of SCB and IFL restructured loans	3.50 cents	Discount of 12.5%	(42.13) cents	0.27 cent	n.m. <sup>(2)</sup>	12.26 times	94.0%
					0.42 cent	n.m. <sup>(2)</sup>	8.30 times	94.5%



**APPENDIX V**

<b>Debt Restructuring Companies</b>	<b>Brief Description</b>	<b>Issue price per share <sup>(1)</sup></b>	<b>Premium/Discount to last traded price prior to announcement</b>	<b>NTA per share pre-exercise</b>	<b>NTA per share post-exercise</b>	<b>Price to NTA per share pre-exercise</b>	<b>Price to NTA per share post-exercise</b>	<b>Dilution impact to Minority shareholders</b>
Falmac Limited (Circular dated 9 October 2004)	Restructuring of the company, involving the capitalisation of approximately S\$10.6m debt into equity and the issue of new shares amounting 29% of the issued share capital for a consideration of S\$1.7m,	31.10 cents for debt conversion  3.78 cents for the issue to white knight	Premium of 182.7%  Discount of 65.7%	(3.39) cents	6.32 cents	n.m. <sup>(2)</sup>	4.92 times	51.2%
Ho Wah Genting International Ltd.	Issue of 100m new shares at 1.00 cent each to white knight, conversion of approximately S\$10.9m debt into equity, and grant of an option to white knight to subscribe for 900m new shares at 1.00 cent each	1.00 cent for the issue to white knight  1.00 cent for debt conversion  1.00 cent for the option	n.m. <sup>(6)</sup>	(40.50) cents	(37.60) cents	n.m. <sup>(2)</sup>	n.m. <sup>(2)</sup>  3.33 times	22.9%  77.8%  86.1%
Hua Kok International Ltd (Circular dated 23 April 2005)	Conversion of S\$13.6m debt into equity  Issue of new shares amounting to 70% of enlarged share capital to Prosperity (excluding the contingent liability of \$7.8m)	4.40 cents  0.42 cent	Premium of 76.0%  Discount of 83.2%	(6.40) cents	(0.98) cents	n.m. <sup>(2)</sup>	n.m. <sup>(2)</sup>  n.m. <sup>(2)</sup>	50.0% to 57.9% (excluding the effects of the issue to white knight)  70.0% (excluding the effects of the debt conversion)

**APPENDIX V**

<b>Debt Restructuring Companies</b>	<b>Brief Description</b>	<b>Issue price per share<sup>(1)</sup></b>	<b>Premium/Discount to last traded price prior to announcement</b>	<b>NTA per share pre-exercise</b>	<b>NTA per share post-exercise</b>	<b>Price to NTA per share pre-exercise</b>	<b>Price to NTA per share post-exercise</b>	<b>Dilution impact to Minority shareholders</b>
Penton International Limited (Circular dated 19 January 2005)	Issue of approximately 548m new shares to convert S\$6.9m debt into equity	12.00 cents to unsecured creditors	Premium of 14.3%	(6.55) cents	0.27 cents	n.m. <sup>(2)</sup>	44.44 times	
		4.00 cents to preferred unsecured creditors	Discount of 61.9%	(6.55) cents	0.27 cents	n.m. <sup>(2)</sup>	14.81 times	
		0.50 cents to secured creditor	Discount of 95.2%	(6.55) cents	0.27 cents	n.m. <sup>(2)</sup>	1.85 times	86.6%
Econ International Limited (Circular dated 31 January 2005)	Issue of approximately 4.5 billion new shares to convert debt into equity	1.50 cents to EIL Scheme creditors	Discount of 66.7%	(7.50) cents <sup>(6)</sup>	0.40 cents <sup>(6)</sup>	n.m. <sup>(2)</sup>	3.75 times	87.9%
Digiland International Limited (Circular dated 2 December 2005)	Capitalisation of debts owing to Scheme Creditors	1.20 cents	Discount of 20.0% <sup>(7)</sup>	US(1.76) cents	US0.09 cents	n.m. <sup>(2)</sup>	7.97 times	
	Issue of Subscription Shares to Investor	0.10 cents	Discount of 93.3% <sup>(8)</sup>		US0.07 cents		0.85 times	95.0% <sup>(9)</sup>

**APPENDIX V**

<b>Debt Restructuring Companies</b>	<b>Brief Description</b>	<b>Issue price per share <sup>(1)</sup></b>	<b>Premium/Discount to last traded price prior to announcement</b>	<b>NTA per share pre-exercise</b>	<b>NTA per share post-exercise</b>	<b>Price to NTA per share pre-exercise</b>	<b>Price to NTA per share post-exercise</b>	<b>Dilution impact to Minority shareholders</b>
China Aviation Oil	Consolidation of every 5 ordinary shares into 1 ordinary share; issue of new shares to CAOHC for conversion of debt; issue of new shares to strategic investors for cash; and issue of new shares to Tranche B creditors for conversion of debt	51.5 cents or 10.3 cents <sup>(10)</sup>	Discount of 46.6% or 89.3% <sup>(10)</sup>	(69.00) cents	16.00 cents	n.m. <sup>(2)</sup>	3.22 times	63.8%

**Notes: -**

- (1) Issue price per share means the price at which each new share is issued as consideration for the debt settlement and cash injection.
- (2) "n.m." means not meaningful.
- (3) It is not meaningful to quote the last traded price of the shares of CAM International Holdings Ltd. as they were suspended from trading between 29 April 1997 and the date of the circular
- (4) It is not meaningful to quote the last traded price of the shares of Interra Resources Limited as they were suspended from trading between 25 January 2000 and the date of the circular
- (5) It is not meaningful to quote the last traded price of the shares of Ho Wah Genting International Ltd. as they were suspended from trading between 6 July 2001 and the date of the circular
- (6) Net Asset Value ("NAV")
- (7) Refers to the discount of the issue price of the Scheme Shares to the weighted average price for trades done on the full market day prior to the announcement of the Scheme on 13 June 2005
- (8) Refers to the discount of the issue price of the Subscription Shares to the weighted average price for trades done on the full market day prior to the announcement of the Investment Agreement on 3 October 2005
- (9) After conversion of convertible bond, allotment and issue of Scheme Shares, and allotment and issue of Subscription Shares
- (10) Without considering the Share Consolidation

We note the following:

- (i) the Issue Price per Share represents a discount of 46.6% to the last traded price of the Shares prior to the suspension of the Shares, which is within the range of discounts for the issue to white knights in the Restructuring Exercises ranging between 12.5% to 95.2%;
- (ii) without considering the Share Consolidation, the Issue Price per Share would be 10.3 cents. This represents a discount of 89.3% to the last traded price of the Shares prior to the suspension of the Shares, which is within the range of discounts for the issue to white knights in the Restructuring Exercises ranging between 12.5% to 95.2%;
- (iii) the Issue Price per Share represents a premium of 35.5 cents over the post-exercise NTA per share of 16.0 cents and is 3.22 times the post-exercise NTA per share. This is within the range of Issue Price to post-exercise NTA per share for the Restructuring Exercises which range from 0.56 times to 12.26 times; and
- (iv) the issue of new Shares will result in a dilution of shareholdings for existing Minority shareholders from 40.0% to 14.5%, which is a percentage dilution in shareholdings of 63.8%. This is within the range of dilution between 17.7% and 94.5% suffered by the Minority Shareholders in other debt restructuring exercises.

However, we wish to reiterate that the circumstances of the Restructuring Plan are unique and different from the Restructuring Exercises listed above, for reasons such as differing corporate objectives and business activities. Accordingly, each of the Restructuring Exercises must be judged on its own commercial and financial merits and any comparison merely serves as an illustrative guide to the Shareholders.

#### **4.5 Other relevant considerations**

We have also considered the following factors in our evaluation of the Interested Person Transactions:

(a) **Price to other parties in the Restructuring Plan**

The other parties who are in the position to receive shares in the Restructuring Plan, namely BP, Aranda and the Creditors who subscribe to the Creditors' Share Invitation as detailed in section 7 of the Circular and the Scheme Shareholders pursuant to and in discharge of the MAS Settlement and as part of the Shareholders' Scheme, are all receiving shares at the Issue Price per Share of 51.5 cents which is equal to the Issue Price for each share to be subscribed by CAOHC under the Investment Agreement. We also note that BP was selected as a strategic investor through a competitive bid process.

(b) **Waiver of Debt by CAOHC**

We have noted that, as part of the Creditors' Scheme and Investment Agreement, CAOHC has agreed to waive 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 29,881,278 new Shares in the Company, comprising approximately 4.13% of the Post-Restructuring Plan Share Capital, at a conversion price equal to the Issue Price per Share. The waiver by CAOHC comprises 19.0% of the total liabilities owed by the Company as at 30 September 2005. Of the 29,881,278 shares issued to CAOHC, 27,171,435 shares, comprising 3.8% of the Post-Restructuring Plan Share capital, will be issued and allotted on an *ex-gratia* basis and *pro-rata* to the Scheme Shareholders, pursuant to and in discharge of the MAS Settlement and as part of the Shareholders' Scheme.

---

## APPENDIX V

---

In addition, it is noted that, at the Latest Practicable Date and under the Creditors' Scheme, Creditors opting for Tranche A distribution will receive cash distribution of approximately US\$18 million, representing a 55.0% waiver of debt, while Creditors opting for Tranche B Distribution will receive cash distribution of approximately US\$112 million and Deferred Debt of US\$145 million, representing an aggregate 41.8% waiver of debt.

(c) **Alternative Proposals**

We have enquired about the possibility of alternative proposals, other than the Restructuring Plan that the Directors may have considered or are considering for the Company. In this regard, the Directors have advised that as at the Latest Practicable Date and at the time of consideration of the Restructuring Plan, they have not found any feasible alternatives to be more attractive to the Shareholders.

(d) **Risk Factors**

While we have undertaken an evaluation of the financial implications of the Transactions, we recommend that the Independent Directors and the Audit Committee advise the Minority Shareholders to read section 13 of the Circular under "Risk Factors" which highlights the business risks relating to the Company.

### 5. RECOMMENDATION

In arriving at our opinion in respect of the Interested Person Transactions, we have taken into account the factors that we consider to be pertinent and to have a bearing on our evaluation of the Interested Person Transactions as set out in the previous section of this letter, including:

- (a) the financial situation of the Group prior to the restructuring;
- (b) the rationale for the Restructuring Plan;
- (c) the proforma financial effects of the Restructuring Plan;
- (d) the comparison with debt restructuring exercises of companies listed on the SGX-ST; and
- (e) other relevant considerations.

**Having considered all of the above, subject to the qualifications and assumptions made herein, KPMG Corporate Finance is of the opinion that the Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders.**

Yours faithfully  
For and on behalf of  
**KPMG Corporate Finance Pte Ltd**

Vishal Sharma  
*Director*

Satyanarayan R  
*Director*

The Independent Directors and the Audit Committee  
China Aviation Oil (Singapore) Corporation Ltd  
8 Temasek Boulevard  
#31-02  
Suntec Tower 3  
Singapore 038988

8 February 2006

Dear Sirs,

**INDEPENDENT FINANCIAL ADVISER OPINION IN RELATION TO THE METHODS AND PROCEDURES FOR DETERMINING THE TRANSACTION PRICES UNDER THE BUSINESS CO-OPERATION AGREEMENT**

*For the purpose of this letter, terms not otherwise defined herein shall have the same meaning given as in the circular dated 8 February 2006 to the shareholders of China Aviation Oil (Singapore) Corporation Limited (the “Circular”), and the Business Co-operation Agreement dated 5 December 2005*

**1 INTRODUCTION**

On 5 December 2005, China Aviation Oil (Singapore) Corporation Limited (the “**Company**” or “**CAO**”) announced its Restructuring Plan to rehabilitate itself as a going concern, and in connection therewith, entered into:

- (a) a conditional investment agreement with CAOHC and BP Investments Asia Limited (“**BP**”), a wholly-owned subsidiary of BP Global Investments Limited, in relation to their proposed investment in the Company (the “**Investment Agreement**”); and
- (b) a conditional subscription agreement with Aranda, an indirect wholly-owned subsidiary of Temasek, in relation to its proposed subscription of Shares in the Company.

In addition, pursuant to the Investment Agreement, the Company, CAOHC and BP Singapore Pte Ltd (“**BPS**”) (an affiliate of BP) have on 5 December 2005 entered into the Business Co-operation Agreement (the “**BCA**”), which is a condition precedent to the completion of the Investment Agreement, whereby BPS will provide the Company with trading expertise, and other services to enhance the trading and risk management systems of the Company.

The BCA sets out the terms upon which the Company, CAOHC and BP will co-operate in the procurement from outside of the PRC of aviation fuel for certain specific buyers in the PRC (the “**PRC Buyers**”) during the term of the BCA.

The BCA details, *inter alia*, the procurement arrangements during the Initial Term and the Interim Period (“**BCA Procurement Arrangements**”), the Supply Security Measures (“**Reserve Bid**”), and BP’s entitlement to supply periodic requirements during the Initial Term and the Interim Period (“**Pre-emption Entitlement**”)

KPMG Corporate Finance Pte Ltd (“**KPMG Corporate Finance**”) has been appointed as the independent financial adviser to provide an opinion on whether the methods and procedures for determining the transaction prices under the BCA Procurement Arrangements, Reserve Bid and the Pre-emption Entitlement in the BCA are sufficient to ensure that the transactions carried out thereunder will be on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders.

## **2 TERMS OF REFERENCE**

The objective of this letter is to provide an independent opinion on whether the methods and procedures for determining transaction prices under the BCA Procurement Arrangements, Reserve Bid and the Pre-emption Rights in the BCA are sufficient to ensure that the transactions will be carried out thereunder will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

KPMG Corporate Finance is not and was not involved in any aspect of the discussions on the scope of the BCA, nor were we involved in the deliberations leading up to the decision by the Directors to enter into the BCA or the methods or procedures adopted by the Company for determining the transaction prices under the BCA Procurement Arrangements, Reserve Bid and the Pre-emption Entitlement in the BCA. In the course of our evaluation of the methods and procedures adopted for determining transaction prices in relation to the BCA Procurement Arrangements, Reserve Bid and Pre-emption Entitlement in the BCA, we have held discussions with members of the Special Task Force of the Company, and representatives from BPS and DTCF.

We have relied on the information contained in the Circular and in the BCA. We have not independently verified such information furnished by the management of the Company (the “**Management**”) or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Management have confirmed to us that, to the best of their knowledge and belief, the information provided to us as well as the information contained in the Circular constitutes a full and true disclosure, in all material respects, of all material facts relating to the BCA and there is no material information the omission of which would make any such information provided or contained in the Circular misleading in any material respect.

We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations or financial condition of the Company or the transactions described in the BCA, details of which have been highlighted in Appendix IV of the Circular.

Our opinion is delivered to the Independent Directors for their deliberation on the BCA, and the recommendations made by the Independent Directors shall remain the responsibility of the Independent Directors. Our opinion should not be relied on as a recommendation to any shareholder of the Company (“**Shareholder**”) as to how such Shareholder should vote on the resolutions to be tabled at the EGM or any matter related thereto. Each Shareholder may have different investment objectives and considerations and should seek professional advice.

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Circular are fair and accurate and that there are no material facts the omission of which would make any statement in this Circular misleading.

Our opinion in relation to the methods and procedures adopted for determining transaction prices in relation to the BCA Procurement Arrangements, Reserve Bid and the Pre-emption Entitlement in the BCA should be considered in the context of the entirety of this letter, the Circular and the BCA.

## **3 BUSINESS CO-OPERATION AGREEMENT**

Salient information on the terms of BCA including the rationale, the validity period, the details of the BCA Procurement Arrangements, Reserve Bid and Pre-emption Entitlement are provided in Sections 6.6 to 6.10 and Appendix IV in the Circular.

#### **4. OUR OBSERVATIONS**

Read together, the sections on the BCA Procurement Arrangements, Reserve Bid and the Pre-emption Entitlement have the following effect:

- a. If sufficient offers are received, the Company has the right to choose the most favourable bid ("**Provisional Approved Bid**"). BPS then has a Pre-emption Entitlement to supply to the Company such quantity of aviation fuel as is equal to that contained in the Provisional Approved Bid in place of the supplier for the Provisional Approved Bid at a price which is lower than the price offered in the Provisional Approved Bid.
- b. If only one offer ("**Sole Offer**") is received and such bid satisfies the full volume requirement, the Company may open the BPS Reserve Bid and select either the Sole Offer or the BPS Reserve Bid, whichever is more favourable. Should the Company select the Sole Offer, it shall notify BPS and BPS will be entitled to exercise its Pre-emption Entitlement as in (a) above.
- c. If no offer is received, or the offers do not satisfy the Periodic Requirements, the Company may open the BPS Reserve Bid and at its option choose to:
  - i. Agree with BPS an alternative arrangement to meet the shortfall on terms to be mutually agreed;
  - ii. Issue a re-tender to the list of approved third party suppliers of aviation fuel on terms that the Company considers appropriate; or
  - iii. Require BPS to supply the shortfall in accordance with the BPS Reserve Bid.

Under (a) and (b) above, the transaction price will be determined through a competitive tender process. The exercise of the Pre-emption Entitlement by BPS will only lead to a better pricing for the Company.

Under (c) above, the BCA provides the Company a choice of either procuring the necessary quantities from BPS to fulfill its obligations or re-tendering.

The Independent Directors should also note though that:

- BPS will be involved in the preparation of the tender documents;
- BPS's views may be sought on the appropriateness of the approved suppliers; and
- BPS is allowed to review the Provisional Approved Bids before it decides to exercise its Pre-emption Entitlement.

In view of BPS's involvement in the tender process, BPS cannot be considered to be a party dealing with the Company at arms length.

We note however, that there is a safeguard that has been built in the BCA to ensure that these arrangements are reviewed should there be two consecutive periods where offers are received from less than 5 approved suppliers.

We also note that under the Restructuring Plan, BP is a key strategic investor in the Company and that it is a condition for completion by BP under the Investment Agreement that the BCA continues to have full force and effect on the Completion Date.

We further note from Section 13.14 of the Circular that it is expected that BPS will play an important role in the future operations of the Company, and that failure to complete the Investment



---

## APPENDIX V

---

Agreement with BP will result in the termination of the BCA, and might have an adverse impact on the operations of the Company and the Restructuring Plan.

The SGX-ST has confirmed that if Shareholders approve the issue of Shares to BP under the Investment Agreement, the Shareholders will be deemed to have also approved the Procurement Arrangements under the BCA for the Procurement Period, and no further Shareholders' approval will be required for the Procurement Arrangements under the BCA for the Procurement Period and all transactions contemplated thereunder, whether on an annual basis or otherwise.

### 5. CONCLUSION

The arrangements between BPS and the Company relating to the BCA Procurement Arrangements, Reserve Bid and Pre-emption Entitlement, when read together, are not strictly at arm's length given BPS's involvement in the tender process. However, the fact that they are not at arm's length should not prejudice the Company or its minority Shareholders as the principle of determining the transaction prices through a competitive tender process as explained above is likely to lead to transaction prices that are market-driven and not prejudicial to the interests of the Company or its minority Shareholders.

Accordingly, we are of the view that the methods and procedures for determining the transaction prices under the BCA in relation to the BCA Procurement Arrangements, Reserve Bid and Pre-emption Entitlement are sufficient to ensure that the transactions carried out thereunder will be on normal commercial terms, and will not be prejudicial to the Company or its minority Shareholders.

We have prepared this letter for the use of the Independent Directors of the Company in connection with and for the purposes of their consideration of the BCA and for inclusion in the Circular. No other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner except with KPMG Corporate Finance's prior written consent in each specific case.

The opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**KPMG Corporate Finance Pte Ltd**

Vishal Sharma  
*Director*

Satyanarayan R  
*Director*

**INFORMATION ON MATERIAL LITIGATION OF THE COMPANY**

**1. Claim by Satya Capital Ltd (“Satya”)**

Satya filed a claim against the Company and CAOHC on 7 December 2004 in the High Court of Singapore for damages arising from the alleged breach by the Company of the sale and purchase agreement entered into between Satya and the Company for the sale and purchase of shares in Singapore Petroleum Company Limited. On 7 June 2005, the Company entered into a conditional settlement agreement with Satya, whereby Satya agreed to settle its claims against the Company and CAOHC, and accept a full and final claim of US\$28 million, under the terms of the Creditors’ Scheme. This settlement is conditional on the Creditors’ Scheme being implemented.

**2. US Class action suits by Mary Wilson Burke and Leong Yan Thiang**

Mary Wilson Burke and Leong Yan Thiang, being shareholders of the Company, filed 2 class action suits in the Southern District Courts of New York against the Company and its Directors, Jia Changbin and Chen Jiulin, in early 2005, for damages arising from certain alleged false or misleading statements made in relation to the Company’s financial status and business prospects. On 29 November 2005, the relevant US court ruled that it has no subject matter jurisdiction and has dismissed the plaintiffs’ application to effect service of court process. It is not known whether the plaintiffs will appeal against the decision.

**3. Claim by SK Energy Asia Ltd (“SK Energy”)**

SK Energy filed a claim against the Company and its Directors on 22 February 2005 in the High Court of Singapore claiming approximately US\$14 million in respect of 3 jet fuel cargoes. On 4 March 2005, SK Energy also filed a judicial management petition against the Company in the High Court of Singapore.

The High Court granted leave on 13 June 2005 for the judicial management petition to be withdrawn, in view of the Creditors’ Scheme. The action by SK Energy was also discontinued on 4 November 2005 after the Company and SK Energy reached a settlement, which provided, *inter alia*, that the amount claimed by SK Energy would be paid in accordance with the Creditors’ Scheme. This settlement is conditional on the Creditors’ Scheme being implemented.

**4. Claim by Sumitomo Mitsui Banking Corporation (“Sumitomo”)**

Sumitomo filed a claim against the Company on 24 February 2005 in the High Court of Singapore for approximately US\$14 million in respect of liability under two standby letters of credit and a further US\$11 million in respect of trust receipt facilities extended to the Company, and damages for alleged misrepresentation, fraud and conspiracy in relation to these facilities. The Company filed its defence on 24 February 2005. On 20 December 2005, the parties entered into a settlement agreement whereby the Company accepted liability of US\$26 million to Sumitomo in full and final settlement of its claims, which amount would be paid in accordance with the Creditors’ Scheme. This settlement is conditional on the Creditors’ Scheme being implemented.

**5. Claim against J. Aron & Company (“J. Aron”)**

The Company filed a claim against J. Aron on 16 March 2005 in the High Court of Singapore for damages or rescission of two agreements entered into between the Company and J. Aron to restructure its options portfolio in January 2004 and June 2004, respectively. J. Aron is counterclaiming against the Company for the amount of US\$7.7 million in relation to terminated derivatives transactions. The Company filed its defence to the counterclaim on 30 September 2005. The matter is pending in the High Court of Singapore.

**6. Application by IMF (Australia) Ltd (“IMF”)**

IMF, a corporation incorporated in Australia, filed an application in the High Court of Singapore to compel the Company to produce its full list of Shareholders and their particulars. The matter was heard on 27 April 2005 and the court dismissed IMF’s application with costs.

**7. Claim by Marshall Realty Pte Ltd (“Marshall”)**

Marshall, a shareholder of the Company, filed proceedings in the Subordinate Courts of Singapore for pre-trial discovery of documents in relation to alleged misleading representations made by its Deputy Head of Investor Relations, John Casey, in relation to the Company’s share placement exercise in October 2004. Marshall has not served its application on the Company. On 20 May 2005, the court dismissed Marshall’s application with costs. Marshall has not taken any further action since then.

---

## APPENDIX VII

---

### INFORMATION ON THE PROPOSED NEW DIRECTORS OF THE COMPANY

#### (1) NAMES, AGES, ADDRESSES AND PRINCIPAL OCCUPATIONS

Name	Age	Residential Address	Country of Principal Residence	Principal Occupation
Zhao Shousen	42	A11-04 Cuiyuan Xinqu, Zibo Road, Dongying District, Dongying City, Shandong Province, PRC 257001	PRC	Chief Accountant, CAOHC
Yang Chuan	41	Room 1103, Block 2, Shiji Jinyuan Ruyige, Zilin North Street, Wuhou District, Chendu City, Sichuan Province, PRC 610041	PRC	General Manager, Southwest China Branch of China Aviation Oil Corporation Ltd
Meng Fanqiu	37	Room 1601, Block 8, Daojiayuan Fangzhi Xiaoqu, Chaoyang District, Beijing, PRC 100025	PRC	Deputy Division Director, Enterprise Management Division of China Aviation Oil Corporation Ltd
Wu Shen Kong	60	11 Mount Sinai Crescent, Singapore 277147	Singapore	President, BPS
Ian Springett	48	37 Prospect Lane, Harpenden, Hertfordshire, AL5 2 PL	United Kingdom	Commercial Director, Gas Power & Renewables and Integrated Supply & Trading, BP plc
Lim Jit Poh	66	21 Stevens Close, Singapore 257962	Singapore	Non-Executive Chairman and Director of ComfortDelGro Corporation Limited
Lee Suet Fern	47	14A Caldecott Close, Singapore 299123	Singapore	Senior Director, Stamford Law Corporation
Liu Fuchun	59	Unit 3, Block 16, Donghuashi Beili West, Chongwen District, Beijing, PRC 100062	PRC	Director and Chief Executive Officer, China National Cereals, Oils & Foodstuffs Corp.

#### (2) PAST WORKING EXPERIENCE, AND EDUCATION AND PROFESSIONAL QUALIFICATIONS

##### (a) Zhao Shousen

Mr Zhao Shousen is a senior accountant (professor level), and was appointed Chief Accountant of CAOHC in January 2006. He is currently pursuing his doctorate degree.

Between July 1986 and January 1999, Mr Zhao served as an executive, deputy section chief, section chief, deputy general accountant, and deputy division director of the Finance Division of Shengli Petroleum Administration (“SPA”). Between January and August 1999, he was the deputy head, and then the head of the Department of Finance and Assets of SPA. Between August 1999 and January 2000, he was also the director of the Finance Settlement Centre of SPA. Between January and February 2000, he acted as deputy chief accountant as well as director of the Department of Finance and Assets of SPA. Between February 2000 and December 2001, he held the position of chief accountant of SPA. In May 2000, Mr Zhao was appointed as a director, and Vice President, of Sinopec Shengli Oil Field Co. Ltd. (“SSOFC”). Commencing from December 2001, he served as a director, Vice President and Chief Accountant of SSOFC. In

---

## APPENDIX VII

---

January 2006, he was appointed Chief Accountant of CAOHC. He obtained his bachelor's degree from Shandong Economic Institute and majored in financial accounting.

(b) Yang Chuan

Mr Yang Chuan currently serves as the General Manager of Southwest China Branch of China Aviation Oil Corporation Ltd (“**CAOCL**”), a subsidiary of CAOHC. He holds a postgraduate degree in economic management from the Institute of Economics, Politics and Law of Southwest Normal University (“**SNU**”), and has an Executive MBA from the National University of Singapore. He also holds a senior marketing specialist certificate awarded by the Ministry of Labour of the PRC.

Mr Yang started his career in 1987. Between 1987 and 1993, he served as a lecturer of the Institute of Economics, Politics and Law of SNU, Assistant to General Manager of SNU Science and Technology Development Corporation, as well as Head of Plastic Steel Factory. Between late 1993 and June 2001, he was with Chongqing Branch of China Aviation Oil Supply Corporation (“**CAOSC**”, which is the predecessor of CAOCL), as General Manager of a subsidiary, senior management officer and deputy General Manager. Between June 2001 and December 2002, he was appointed as deputy General Manager of Yunnan Branch of CAOSC. Since December 2002, he has served as deputy General Manager, and from January 2004, General Manager of Southwest Branch of CAOCL.

(c) Meng Fanqiu

Mr Meng Fanqiu is currently the Deputy Division Director of the Enterprise Management Division of CAOCL, a subsidiary of CAOHC. Mr Meng joined CAOHC in 2003. Before that, Mr Meng was an official of Civil Aviation Administration of China (“**CAAC**”) since 1991 and had been mainly engaged in legal perspective and enterprise reform. He directly participated in drafting and enacting of the PRC Civil Aviation Law, which is the first law on civil aviation in the PRC. After 2000, he started to work on the reform of civil aviation management structure. He also participated in the drafting of corporate reform plans for Air China Group, China Eastern Airlines Group, China Southern Airlines Group and servicing groups. He was further involved in drafting the corporate reform plans for Chengdu Shuangliu Airport, Xi'an Xianyang Airport, Shenyang Taoxian Airport etc. Mr Meng was also in charge of the project whereby China Eastern merged with China Northwest Airlines. He has been awarded the honorary title of “Elite Civil Servant” by CAAC. Since he joined CAOHC, he has been engaged in corporate governance and company reform issues, and led the team which coordinated the restructuring of CAOSC. On 22 September 2005, CAOSC was successfully restructured into China Aviation Oil Corporation Ltd, which after registration with the Industrial and Commerce Bureau, has officially been incorporated.

Mr Meng graduated from China University of Political Science and Law and majored in international economic law. He earned his master's degree from Remin University of China where he majored in business law. He also holds the relevant attorney's qualifications for PRC. Mr Meng further obtained a certificate for director and supervisory training conducted by the State-Owned Assets Supervisory and Administration Commission of the PRC.

(d) Wu Shen Kong

Dr Wu Shen Kong is the President of BPS. He has held this position since 2002, and is the senior representative for BP in Singapore, responsible for the formulation of country strategy and ensures its implementation. He is also concurrently the Country Head for BP companies in Thailand.

Prior to his current appointment, Dr Wu was the HR Director for BP in Asia from 2001 to 2003. From 1999 to 2001, he was the President of BP Gas & Power Business in the PRC.

---

## APPENDIX VII

---

He was assigned to develop and build a strong gas and power presence in the PRC for BP from zero base. During this time, he led BP to win the US\$600 million Guangdong LNG Terminal project. He was also a key member of the BP team to create and implement strategic business relationship with Petrochina. From 1995 to 1999, Dr Wu was the General Manager (Business Unit Leader) of Asia Manufacturing, Supply and Trading business. During this period, BP's trading activities expanded three-fold. He also represented BP in developing its joint venture company, Singapore Refining Company, to a highly sophisticated and effective operation.

Dr Wu joined BP in 1971 as research scientist after graduating with a Ph.D. in Physics from Manchester University. He was transferred to the commercial side of the company in 1973. Since then, he has held positions in Marketing, Trading, Logistics, Planning, Manufacturing, Human Resources and Public Affairs. He was appointed Director of BPS in 1990 and Director of BP Asia Pacific Pte Ltd in 1997. Dr Wu is also a Board Member of the Land Transport Authority, Tuas Power Ltd and the British Chamber of Commerce.

(e) Ian Springett

Mr Ian Springett joined BP plc in 1985, before which he worked for Coopers & Lybrand in London. He is currently the Commercial Director for Gas, Power & Renewables and Integrated Supply & Trading of BP plc, and has held this position since January 2005. Prior to that, from November 2000 to December 2004, he held the position of Vice President of Finance and US Chief Financial Officer. In the course of his career with BP, Mr Springett has held numerous responsibilities, including General Manager, Upstream Performance & Control of the Group London Planning & Performance Management Unit (January 1998 to October 2000), Business Unit Leader Greater Point McIntyre Asset in BP Exploration Alaska (October 1996 to December 1997), Manager, Alaska Planning, Control & Commercial of BP Exploration Alaska (September 1993 to September 1996), Manager Group Business Liaison in BP Group London (1991 to 1993), Manager of Control Reporting in BP Exploration Cleveland, USA (1989 to 1990), Senior Accountant/PA for Overseas Exploration in BP Exploration London (1987 to 1989), and Finance Manager of BP Exploration PRC (1985 to 1987).

Mr Springett also holds various directorships in BP companies.

Mr Springett gained a BA in Economics and Financial Management at Sheffield University. He was admitted to the Institute of Chartered Accountants of England and Wales in 1982 and made a fellow of the Institute in 1992.

(f) Lim Jit Poh

Mr Lim Jit Poh was appointed non-executive Chairman and Director of ComfortDelGro Corporation Limited in 2003. He is also the Chairman of SBS Transit Ltd, VICOM Ltd and Ascott Residence Trust Management Limited as well as a director of several other listed companies. Mr Lim is also a director of several unlisted companies under the ownerships of the Singapore Labour Foundation and Temasek Holdings Pte Ltd.

Mr Lim was a former top civil servant and a Fulbright scholar. He was awarded the Public Administration Medal by the Government of Singapore in 1972 and three awards by the National Trades Union Congress, namely Friend of Labour Award in 1986, Meritorious Service Award in 1990 and Distinguished Service Award in 2000. Mr Lim is a trustee of the Singapore National Employers' Federation.

(g) Lee Suet Fern

Mrs Lee Suet Fern is a practising advocate and solicitor of the Supreme Court of Singapore and works at Stamford Law Corporation as its Senior Director. She has extensive experience as a corporate law practitioner and serves on the boards of listed

---

## APPENDIX VII

---

companies as well as professional and other organisations including the National Heritage Board. Mrs Lee holds a double first in Law from Cambridge University, UK, and is a member of the Honourable Society of Gray's Inn.

(h) Liu Fuchun

Mr Liu Fuchun graduated from Beijing Foreign Trade Junior College and Beijing Foreign Trade Institute, majoring in accounting and English, respectively. He started working in August 1964 and holds the title of senior international commercialist awarded by the Ministry of Commerce of the PRC.

Between 1964 and November 1981, Mr Liu served as an officer of the General Office of China National Cereals, Oils & Foodstuffs Corp. ("**COFCO**"), and then as an executive at its U.S. representative office. Between November 1981 and July 1985, he was the deputy Consul of Chinese Consular Section in Vancouver. Between July 1985 and June 1991, he held the positions of deputy division director, division director of Oils and Fats Division of COFCO, and General Manager of Top Glory (London) Ltd. Between June 1991 and June 2000, he served as Vice President, Managing Director, and Deputy CEO of COFCO. Since June 2000, he has been a director and CEO of COFCO.

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The amendments that are proposed to be made to the Articles of Association of the Company are set out below.

**(1) Article 77**

The existing Article 77 shall be deleted in its entirety and replaced with the following new Article 77:

*“77. Subject as hereinafter provided, the Directors, all of whom shall be natural persons, shall not be less than two nor more than nine in number. The first Directors of the Company were Seah Han Tong Tony and Wee Eng Hua Majorie.”*

**(2) Article 77A**

The following new Article 77A shall be inserted immediately after the proposed new Article 77:

*“77A. (1) The Board of Directors shall appoint from their body a committee of persons to be known as the “Nominating Committee”, of whom a majority shall be persons who are:*

- (a) not deemed to be not independent under the Code of Corporate Governance 2005 as from time to time amended;*
- (b) independent from any management and business relationship with the Company or any of its subsidiaries and associated companies; and*
- (c) independent from, and are not connected to, any substantial shareholder of the Company (for this purpose, a person is connected to a substantial shareholder of the Company if that person (i) is employed by that substantial shareholder or any of its related corporations, (ii) is an executive director, a non-executive director, partner or similar officer of that substantial shareholder or any of its related corporations or (iii) is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of that substantial shareholder of any of its related corporations).*

*(2) The functions of the Nominating Committee shall be to identify candidates and review all nominations by the Board of Directors, any Director or any member or members of the Company for the following positions in the Company:-*

- (a) Director or alternate Director (whether for appointment or re-appointment, election or re-election);*
- (b) Membership of the committees of the Board; and*
- (c) Senior management of the Company including but not limited to the Chief Executive Officer/Managing Director, Chief Financial Officer, Chief Operating Officer, Head of Risk and Head of Trading.*

*The size of the Nominating Committee shall be 5 members.*

*(3) In identifying candidates and reviewing nominations, the Nominating Committee must satisfy itself that each candidate is the best and most qualified candidate for the position.*

*(4) The Nominating Committee shall elect from among their number a Chairman who shall be an independent Director. The Nominating Committee may regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.”*



---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

### CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

(Incorporated in the Republic of Singapore)

Company Registration Number: 199303293Z

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“EGM”) of the Company will be held at **Hall 8, Singapore Expo, 1 Expo Drive, Singapore 486150 on 3 March 2006 at 3:30 p.m.** (or as soon thereafter following the conclusion of the Shareholders’ Scheme meeting (or its adjournment thereof)) for the purpose of considering and, if thought fit, passing with or without any amendment the following ordinary resolutions and special resolution:

#### **ORDINARY RESOLUTION 1: SHARE CONSOLIDATION**

That with effect from the date to be determined by the Directors of the Company, being a date on or prior to the completion date of the Investment Agreement and Subscription Agreement, and pursuant to the Articles of Association of the Company:

- (a) the Share Consolidation (as defined in the Circular to Shareholders dated 8 February 2006 (“Circular”)) be and is hereby approved;
- (b) any fraction of a consolidated share (“Share”) which may arise from the Share Consolidation shall be disregarded, and all fractions of the Shares to which Shareholders would otherwise be entitled to shall be disregarded and sold at the discretion of the Directors and the proceeds arising therefrom retained for the benefit of the Company;
- (c) the Common Seal of the Company be affixed onto the share certificates relating to the Shares (where applicable) and such documents in connection with the Share Consolidation as may be required to be executed by the Company under seal; and
- (d) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to determine the effective date of the Share Consolidation, and signing, filing and/or submitting any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

#### **ORDINARY RESOLUTION 2: ISSUE AND ALLOTMENT OF CAOHC INVESTMENT SHARES (AS DEFINED IN THE CIRCULAR)**

That subject to and conditional upon shareholders’ approval of the Shareholders’ Scheme (as defined in the Circular) at the Shareholders’ Scheme meeting and the Shareholders’ Scheme becoming effective in accordance with its terms, and the passing of Ordinary Resolution 1:

- (a) the issue and allotment of the CAOHC Investment Shares to CAOHC be and is hereby approved; and
- (b) the Common Seal of the Company be affixed onto the share certificate(s) relating to the CAOHC Investment Shares (where applicable) and such documents in connection therewith as may be required to be executed by the Company under seal; and
- (c) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to determine the date of issue and allotment of the CAOHC Investment Shares contemplated under this resolution, and signing, filing and/or submitting any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

### **ORDINARY RESOLUTION 3: ISSUE AND ALLOTMENT OF CAOHC SHAREHOLDER'S LOAN CONVERSION SHARES (AS DEFINED IN THE CIRCULAR)**

That subject to and conditional upon shareholders' approval of the Shareholders' Scheme (as defined in the Circular) at the Shareholders' Scheme meeting and the Shareholders' Scheme becoming effective in accordance with its terms, and the passing of Ordinary Resolution 1:

- (a) the issue and allotment of the CAOHC Shareholder's Loan Conversion Shares to the Scheme Shareholders (as defined in the Circular), as directed by CAOHC, be and is hereby approved; and
- (b) the Common Seal of the Company be affixed onto the share certificate(s) relating to the CAOHC Shareholder's Loan Conversion Shares (where applicable) and such documents in connection therewith as may be required to be executed by the Company under seal; and
- (c) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to determine the date of issue and allotment of the CAOHC Shareholder's Loan Conversion Shares contemplated under this resolution, and signing, filing and/or submitting any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 4: ISSUE AND ALLOTMENT OF CAOHC DIVIDEND CONVERSION SHARES (AS DEFINED IN THE CIRCULAR)**

That subject to and conditional upon shareholders' approval of the Shareholders' Scheme (as defined in the Circular) at the Shareholders' Scheme meeting and the Shareholders' Scheme becoming effective in accordance with its terms, and the passing of Ordinary Resolution 1:

- (a) the issue and allotment of the CAOHC Dividend Conversion Shares to CAOHC be and is hereby approved; and
- (b) the Common Seal of the Company be affixed onto the share certificate(s) relating to the CAOHC Dividend Conversion Shares (where applicable) and such documents in connection therewith as may be required to be executed by the Company under seal; and
- (c) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to determine the date of issue and allotment of the CAOHC Dividend Conversion Shares contemplated under this resolution, and signing, filing and/or submitting any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 5: ISSUE AND ALLOTMENT OF BP INVESTMENT SHARES (AS DEFINED IN THE CIRCULAR)**

That subject to and conditional upon shareholders' approval of the Shareholders' Scheme (as defined in the Circular) at the Shareholders' Scheme meeting and the Shareholders' Scheme becoming effective in accordance with its terms, and the passing of Ordinary Resolution 1:

- (a) the issue and allotment of the BP Investment Shares to BP be and is hereby approved; and
- (b) the Common Seal of the Company be affixed onto the share certificate(s) relating to the BP Investment Shares (where applicable) and such documents in connection therewith as may be required to be executed by the Company under seal; and
- (c) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to determine the date of issue and allotment of the

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

BP Investment Shares contemplated under this resolution, and signing, filing and/or submitting any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 6: ISSUE AND ALLOTMENT OF ARANDA INVESTMENT SHARES (AS DEFINED IN THE CIRCULAR)**

That subject to and conditional upon shareholders' approval of the Shareholders' Scheme (as defined in the Circular) at the Shareholders' Scheme meeting and the Shareholders' Scheme becoming effective in accordance with its terms, and the passing of Ordinary Resolution 1:

- (a) the issue and allotment of the Aranda Investment Shares to Aranda be and is hereby approved; and
- (b) the Common Seal of the Company be affixed onto the share certificate(s) relating to the Aranda Investment Shares (where applicable) and such documents in connection therewith as may be required to be executed by the Company under seal; and
- (c) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to determine the date of issue and allotment of the Aranda Investment Shares contemplated under this resolution, and signing, filing and/or submitting any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 7: ISSUE AND ALLOTMENT OF CREDITORS' INVITATION SHARES (AS DEFINED IN THE CIRCULAR)**

That subject to and conditional upon shareholders' approval of the Shareholders' Scheme (as defined in the Circular) at the Shareholders' Scheme meeting and the Shareholders' Scheme becoming effective in accordance with its terms, and the passing of Ordinary Resolution 1:

- (a) the issue and allotment of the Creditors' Invitation Shares to the Tranche B Creditors (as defined in the Circular) who shall be allocated with such Creditors' Invitation Shares be and is hereby approved; and
- (b) the Common Seal of the Company be affixed onto the share certificate(s) relating to the Creditors' Invitation Shares (where applicable) and such documents in connection therewith as may be required to be executed by the Company under seal; and
- (c) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to determine the date of issue and allotment of the Creditors' Invitation Shares contemplated under this resolution, and signing, filing and/or submitting any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 8: APPOINTMENT OF ZHAO SHOUSEN AS A NEW DIRECTOR OF THE COMPANY**

That conditional upon the passing of Ordinary Resolution 2 and Completion (as defined in the Circular) taking place, and subject to his consent to act:

- (a) Zhao Shousen be appointed as a new Director of the Company with effect from the Completion Date (as defined in the Circular); and
- (b) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

any of the foregoing, including without limitation, to sign, file and/or submit any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 9: APPOINTMENT OF YANG CHUAN AS A NEW DIRECTOR OF THE COMPANY**

That conditional upon the passing of Ordinary Resolution 2 and Completion (as defined in the Circular) taking place, and subject to his consent to act:

- (a) Yang Chuan be appointed as a new Director of the Company with effect from the Completion Date (as defined in the Circular); and
- (b) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to sign, file and/or submit any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 10: APPOINTMENT OF MENG FANQIU AS A NEW DIRECTOR OF THE COMPANY**

That conditional upon the passing of Ordinary Resolution 2 and Completion (as defined in the Circular) taking place, and subject to his consent to act:

- (a) Meng Fanqiu be appointed as a new Director of the Company with effect from the Completion Date (as defined in the Circular); and
- (b) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to sign, file and/or submit any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 11: APPOINTMENT OF WU SHEN KONG AS A NEW DIRECTOR OF THE COMPANY**

That conditional upon the passing of Ordinary Resolution 5 and Completion (as defined in the Circular) taking place, and subject to his consent to act:

- (a) Wu Shen Kong be appointed as a new Director of the Company with effect from the Completion Date (as defined in the Circular); and
- (b) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to sign, file and/or submit any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 12: APPOINTMENT OF IAN SPRINGETT AS A NEW DIRECTOR OF THE COMPANY**

That conditional upon the passing of Ordinary Resolution 5 and Completion (as defined in the Circular) taking place, and subject to his consent to act:

- (a) Ian Springett be appointed as a new Director of the Company with effect from the Completion Date (as defined in the Circular); and

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

- (b) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to sign, file and/or submit any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 13: APPOINTMENT OF LIM JIT POH AS A NEW DIRECTOR OF THE COMPANY**

That conditional upon Completion (as defined in the Circular) taking place, and subject to his consent to act:

- (a) Lim Jit Poh be appointed as a new Director of the Company with effect from the Completion Date (as defined in the Circular); and
- (b) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to sign, file and/or submit any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 14: APPOINTMENT OF LEE SUET FERN AS A NEW DIRECTOR OF THE COMPANY**

That conditional upon Completion (as defined in the Circular) taking place, and subject to her consent to act:

- (a) Lee Suet Fern be appointed as a new Director of the Company with effect from the Completion Date (as defined in the Circular); and
- (b) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to sign, file and/or submit any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **ORDINARY RESOLUTION 15: APPOINTMENT OF LIU FUCHUN AS A NEW DIRECTOR OF THE COMPANY**

That conditional upon Completion (as defined in the Circular) taking place, and subject to his consent to act:

- (a) Liu Fuchun be appointed as a new Director of the Company with effect from the Completion Date (as defined in the Circular); and
- (b) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to sign, file and/or submit any forms, returns and documents with the SGX-ST, the Registrar and the CDP.

### **SPECIAL RESOLUTION 1: AMENDMENT OF ARTICLES OF ASSOCIATION**

That conditional upon the passing of Ordinary Resolution 5:

- (a) the Articles of Association of the Company be and are hereby amended in the manner as set out in Appendix VIII of the Circular; and

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

- (b) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they/he/she may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to sign, file and/or submit any forms, returns and documents with the SGX-ST, Registrar and CDP.

BY ORDER OF THE BOARD

Adrian Chang  
Company Secretary

Singapore  
8 February 2006

**Notes:**

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend and vote in his/her stead.
2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Temasek Boulevard #31-02 Suntec Tower Three Singapore 038988 not less than 48 hours before the time set for holding the EGM.

**CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD**

(Incorporated in the Republic of Singapore)  
 Company Registration Number: 199303293Z

**IMPORTANT:**

- For investors who have used their Central Provident Fund ("CPF") moneys to buy shares in the capital of the Company, this Circular is sent to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

**PROXY FORM**

\*I/We \_\_\_\_\_, NRIC / Passport No. \_\_\_\_\_  
 of \_\_\_\_\_

being a \*member / members of the Company hereby appoint the following person(s)<sup>(Note2)</sup>:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

--	--	--	--

or failing him/her/them, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Extraordinary General Meeting of the Company to be held at **Hall 8, Singapore Expo, 1 Expo Drive, Singapore 486150 on 3 March 2006 at 3:30 p.m.** (or as soon thereafter following the conclusion of the Shareholders' Scheme meeting (or its adjournment thereof)) and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of the Extraordinary General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as \*he/they will on any other matters arising at the Extraordinary General Meeting.)

	To be used on a Show of Hands		To be used in the event of a Poll	
			No. of votes	No. of votes
	For	Against	For	Against
<b><u>Ordinary Resolution 1</u></b> To Approve the Share Consolidation				
<b><u>Ordinary Resolution 2</u></b> To Approve the Issue and Allotment of the CAOHC Investment Shares				
<b><u>Ordinary Resolution 3</u></b> To Approve the Issue and Allotment of the CAOHC Shareholder's Loan Conversion Shares				
<b><u>Ordinary Resolution 4</u></b> To Approve the Issue and Allotment of the CAOHC Dividend Conversion Shares				
<b><u>Ordinary Resolution 5</u></b> To Approve the Issue and Allotment of the BP Investment Shares				
<b><u>Ordinary Resolution 6</u></b> To Approve the Issue and Allotment of the Aranda Investment Shares				

	To be used on a Show of Hands		To be used in the event of a Poll	
			No. of votes	No. of votes
	For	Against	For	Against
<b><u>Ordinary Resolution 7</u></b> To Approve the Issue and Allotment of the Creditors' Invitation Shares				
<b><u>Ordinary Resolution 8</u></b> To Approve the Appointment of Zhao Shousen as a new Director of the Company				
<b><u>Ordinary Resolution 9</u></b> To Approve the Appointment of Yang Chuan as a new Director of the Company				
<b><u>Ordinary Resolution 10</u></b> To Approve the Appointment of Meng Fanqiu as a new Director of the Company				
<b><u>Ordinary Resolution 11</u></b> To Approve the Appointment of Wu Shen Kong as a new Director of the Company				
<b><u>Ordinary Resolution 12</u></b> To Approve the Appointment of Ian Springett as a new Director of the Company				
<b><u>Ordinary Resolution 13</u></b> To Approve the Appointment of Lim Jit Poh as a new Director of the Company				
<b><u>Ordinary Resolution 14</u></b> To Approve the Appointment of Lee Suet Fern as a new Director of the Company				
<b><u>Ordinary Resolution 15</u></b> To Approve the Appointment of Liu Fuchun as a new Director of the Company				
<b><u>Special Resolution 1</u></b> To Approve the Amendment of Articles of Association				

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2006

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

Total Number of Shares in	No. of shares
(a) CDP Register	
(b) Register of Members	

**IMPORTANT: Please read the following notes:**

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50) ("Act"), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.



2. A Member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company. If any proxy (other than the Chairman of the Meeting) is to be appointed, please insert the name(s) and particulars of the proxy or proxies to be appointed in the box provided.
3. If the Chairman of the Meeting is appointed as proxy, this instrument appointing a proxy or proxies shall be deemed to confer on him the right to nominate a person to vote on his behalf on a show of hands.
4. Where a member appoints more than one proxy, he shall specify the number of shares to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 8 Temasek Boulevard #31-02 Suntec Tower Three Singapore 038988 not less than 48 hours before the time appointed for the meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or by a duly authorised officer on behalf of the corporation.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Act.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

*This page has been intentionally left blank.*

*This page has been intentionally left blank.*

