



中国航空油料集团公司  
China Aviation Oil Holding Company

14 December 2004

China Aviation Oil Holding Company (“CAOHC”) has observed and noted the high level of shareholder concern and general interest in the affairs of its subsidiary, China Aviation Oil (Singapore) Corporation Ltd (“CAO”), since the announcement by CAO on 30 November 2004 (the “30 November Announcement”).

In connection thereto, CAOHC wishes to make the following statement.

**China Aviation Oil (Singapore) Corporation Ltd**

CAOHC wishes to express its regret to the minority shareholders of CAO over the derivative trading losses suffered by CAO. While CAO had in place stringent risk management controls on CAO’s speculative activities, such controls failed on this event resulting in enormous losses to all shareholders alike. Notwithstanding the losses suffered by CAOHC together with all other shareholders, CAOHC wishes to assure the shareholders that it will provide moral, management and financial support to CAO to ensure that CAO can resume jet fuel procurement activities as soon as practicable while CAO puts together its restructuring plan.

**Support for the Restructuring Proposal**

CAOHC would like to reiterate it will work closely with and support CAO’s proposal to restructure its existing indebtedness as announced in the 30 November Announcement so as to enable CAO to continue normal business operations and lift the suspension of the trading of its shares on the Singapore Exchange Securities Trading Limited (“SGX”). CAOHC is willing to make available new funds and working towards bringing in new strategic investment in the restructured CAO.

However, as a commercial entity and as a Chinese state-owned enterprise responsible for a critical function in the PRC economy, CAOHC is not in a position to pledge unconditional support. As such, CAOHC would like to clarify that the support is conditional upon the following:

- (a) sufficient resolution of the legal and regulatory issues concerning CAO such that the restructured CAO is in a position to resume normal business operations; and
- (b) the acceptance of the proposed scheme under Section 210 of the Companies Act by the creditors and shareholders of CAO (the “CAO Shareholders”).

### Resolution of Legal and Regulatory Issues

CAOHC would like to inform CAO Shareholders that the current legal and regulatory issues concerning CAO needs to be sufficiently resolved such that the restructured CAO is in a position to focus on its core business going forward before CAOHC can make available any new funding required as part of the scheme of arrangement. It is also likely to be a condition for the participation of any new strategic investment in the restructured CAO.

In the meantime, CAOHC has, and will, provide full co-operation to the investigating parties to enable the investigations to be completed expeditiously. CAOHC will also continue to encourage CAO to provide the same level of co-operation to the investigating parties. CAOHC is similarly interested in a thorough, swift and fair resolution of the issues that may arise from the investigations such that proper accountability could be provided to the SGX and all CAO Shareholders.

### Acceptance of Scheme

CAOHC believes it is necessary that the restructuring be undertaken under Section 210 of the Companies Act. CAOHC will endeavour to work with CAO to structure a compromise which is acceptable to new investors, creditors and shareholders alike. CAOHC entreats all interested parties to be realistic in their expectations and to engage in the process in a timely and progressive manner.

In the meantime, CAOHC is in discussions with CAO to provide funding to the newly incorporated subsidiary of CAO, CAOT Pte Ltd ("CAOT"), so that CAOT can resume jet fuel procurement business during this period prior to the implementation of the restructuring proposal. More information on this will be released by CAO as and when they are finalized.

CAOHC would like to assure CAO Shareholders that it will continue to provide reasonable support to CAO during the current period, and is offering financial and management resources towards this end. CAOHC thus seeks the understanding of CAO Shareholders during this period of time.

Yours faithfully,

Jia Changbin

President  
China Aviation Oil Holding Company