



Corporate Update As Of 8 December 2004

08/12/04

1) Cessation of All Oil Derivatives Trading Activities

Since its announcement on 30 November 2004, the Company has ceased all oil derivative trading activities. There are no open positions in respect of futures and options oil trading activities as at 7th December 2004, except for back to back oil option trades with three counterparties.

With regard to swap derivative trading activities, as of 7th December 2004, 25 counterparties have unilaterally terminated their trades with the Company based on their contractual rights. There are 35 counterparties where their respective trades are still subject to market fluctuations. The Company has informed all the counterparties for the remaining back to back option trades and swap derivatives that the Company intends to terminate these trades immediately. The Company is monitoring the situation very closely to find a solution to close out these open positions with the respective counterparties.

2) On-going Discussions with Creditors

Members of the Special Task Force together with the Company's financial and legal advisers have been meeting with several of the Company's creditors to explain the Company's financial situation and to garner support for the Company's proposed Scheme of Arrangement. The support for the restructuring exercise by the Company's parent company, China Aviation Oil Holdings Company ("CAOHC"), has been reassuring for the creditors. The creditors that the Company have met so far expressed support to give the Company a reasonable time to restructure itself. These creditors understand that winding up or judicial management proceedings would undermine the restructuring exercise and scuttle the negotiations for support from CAOHC.

3) Co-Signing of Bank Account

The Special Task Force has put in place appropriate control mechanism and a daily reporting structure. As part of these control mechanisms, the Company has taken steps to appoint 2 authorised representatives from Deloitte & Touche Financial Advisory Services Pte Ltd to be co-signatories to the Company's bank accounts to control the outflow of cash.

4) Continuation of Core Business

The Special Task Force recognises that it is in the interest of the Company to carry on the core business of jet fuel procurement. Having considered the options available, the Company has taken steps to set up a new subsidiary company wholly owned by the Company to carry on the jet fuel procurement business.

The new subsidiary will receive financial support from CAOHC by way of injection of new funding into a trust account to enable the subsidiary to continue its jet fuel procurement business on an agency basis. The subsidiary company will receive income from the agency commissions to be chargeable on the sale of the jet fuel to the Buyers.

The subsidiary company will also receive support from the Company by way of use of the Company's equipment, premises and personnel for an agreed fee.

5) Involvement of Independent Directors

The Independent Directors who are also members of the Company's audit committee have been monitoring closely and are continuing to monitor closely developments in the Company. Several measures, forming part of the control mechanism put in place by the Special Task Force, had been recommended by them. They have been and are in constant interaction with the Special Task Force and the Company's advisers. They have also asked for and are being given daily briefings by the Special Task Force and the Company's advisers on developments in relation to the affairs of the Company (including the proposed scheme of arrangement).

6) Claim against the Company by Satya Capital Limited

The Company has on 8th December 2004 received a Writ of Summons in which Satya Capital Limited ("Satya") has commenced a legal suit against the Company and its Holding Company, China Aviation Oil Holding Company ("CAOHC").

The claim against the Company is for an alleged breach of a Share Purchase Agreement dated 18 August 2004 between Satya and the Company in which the Company had agreed to acquire 88 million shares in Singapore Petroleum Company Ltd ("SPC"). The claim against CAOHC is for alleged conspiracy with the Company to break the Share Purchase Agreement.

The amount of the claim against the Company and CAOHC is S\$47,160,000 and damages. The amount of S\$47,160,000 is allegedly computed on the basis of the difference between the contract price and the best price that might have been obtained if the SPC shares had been sold on the open market on 29 November 2004.

The Company is presently seeking legal advice on the matter.

7) Return of Suspended CEO, Mr Chen Jiulin

The Company wishes to inform shareholders that Mr Chen Jiulin has returned to Singapore today. He has been placed under arrest and is currently assisting the Commercial Affairs Department in their investigations. The Company understands that Mr Chen is currently out on bail.