

DOCUMENT DATED 8 FEBRUARY 2006

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IT CONTAINS EXTENSIVE INFORMATION AND SHOULD BE READ IN ITS ENTIRETY. IF YOU ARE IN ANY DOUBT ABOUT THIS DOCUMENT OR AS TO THE ACTION WHICH YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR SOLICITOR, FINANCIAL ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

IF YOU HAVE SOLD OR TRANSFERRED ALL YOUR SHARES IN THE CAPITAL OF CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD, YOU SHOULD IMMEDIATELY FORWARD THIS EXPLANATORY STATEMENT TOGETHER WITH THE NOTICE OF SHAREHOLDERS' 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.

EXPLANATORY STATEMENT

TO

SCHEME OF ARRANGEMENT

under Section 210 of the Companies Act (Cap. 50, 1994 Revised Edition)

Between

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

(Incorporated in the Republic of Singapore with limited liability)

Company Registration No.: 199303293Z

and

ITS SHAREHOLDERS

(as defined in the Scheme of Arrangement,
pursuant to Originating Summons No. 199 of 2006/X)

THE ACTION REQUIRED TO BE TAKEN BY THE SHAREHOLDERS OF CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD IS SET OUT IN SECTION 5 OF THIS DOCUMENT. YOU ARE ASKED TO COMPLETE AND RETURN AS SOON AS POSSIBLE THE PROXY FORM ENCLOSED WITH THIS DOCUMENT IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT THEREIN.

THE SHAREHOLDERS' MEETING TO CONSIDER THE SCHEME OF ARRANGEMENT WILL BE HELD **ON 3 MARCH 2006 AT 2:00 P.M. AT HALL 8, SINGAPORE EXPO, 1 EXPO DRIVE, SINGAPORE 486150.**

TIMETABLE

Action	Time / Date
Proxy Forms for the Meeting of Shareholders in relation to the Shareholders' Scheme should be lodged with the Company c/o Deloitte & Touche Corporate Finance Pte Ltd (Attention: Mr Andrew Grimmett) at 8 Temasek Boulevard #31-02 Suntec Tower Three, Singapore 038988 no later than:	2:00 p.m. on 1 March 2006
Meeting of Shareholders in relation to the Shareholders' Scheme to be held at Hall 8, Singapore Expo, 1 Expo Drive, Singapore 486150	2:00 p.m. on 3 March 2006
Expected Date of Filing of Application to the Court for approval of the Shareholders' Scheme	By 6 March 2006

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EXPLANATORY STATEMENT

(In compliance with Section 211 of the Companies Act, Chapter 50)

To: The Shareholders (as defined in the Scheme of Arrangement) of China Aviation Oil (Singapore) Corporation Ltd ("**Company**")

Dear Sir or Madam,

PROPOSED SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND ITS SHAREHOLDERS ("**SCHEME**")

The purpose of this explanatory statement ("**Explanatory Statement**") is to explain the background and effect of the Scheme for which the Company proposes to seek the approval of the High Court of Singapore ("**Court**") subject to the requisite majorities having been obtained at the meeting of Shareholders ("**Meeting**") convened to consider the Scheme.

Capitalised terms used herein shall unless otherwise defined have the same meaning attributed to them under the Scheme.

Please note that this Explanatory Statement does not form the basis of the legal contract between the Company and its Shareholders. The legally binding contract between the Company and its Shareholders, if approved at the Meeting and sanctioned by the Court, is the Scheme. China Aviation Oil Holding Company ("**CAOHC**"), being the holding company of the Company, will also become a party to the Scheme by way of a deed poll to the Scheme (see Section 4 below).

SECTION 1: GENERAL BACKGROUND

1.1 WHAT IS A SCHEME OF ARRANGEMENT?

Under Singapore law, a scheme of arrangement of the kind proposed here is a compromise or arrangement provided for under Section 210 of the Singapore Companies Act (Chapter 50) ("**Act**") to take effect between the Company and its Shareholders. The arrangement becomes legally binding on all of the Shareholders to whom it is intended to apply if a majority in number representing three-fourths (i.e. 75%) in value of the Shareholders, voting in person or by proxy, vote in favour of it at the Meeting convened with the permission of the Court and if the Court subsequently approves it. CAOHC will also become a party to the Scheme by way of a deed poll to the Scheme (see Section 4 below).

1.2 WHAT ARE SHAREHOLDERS REQUIRED TO DO?

- (a) If you are a Shareholder (as defined in the Scheme), you are entitled to vote at the Meeting for the purpose of approving the Scheme. The Meeting will be held **on 3 March 2006 at 2:00 p.m. at Hall 8, Singapore Expo, 1 Expo Drive, Singapore 486150**. You may attend the Meeting in person or you may vote by proxy.
- (b) There is enclosed with this document a proxy form ("**Proxy Form**") to be submitted to the Company. Please complete and sign the Proxy Form enclosed in accordance with the instructions contained therein and return the Proxy Form as soon as possible to the Company c/o Deloitte & Touche Corporate Finance Pte Ltd (Attention: Mr Andrew Grimmett) at 8 Temasek Boulevard #31-02 Suntec Tower Three, Singapore 038988 and in any event not later than **2:00 p.m. on 1 March 2006**. Returning the Proxy Form will not prevent you from attending and voting in person should you wish to do so.

SECTION 2: INFORMATION ON THE COMPANY

2.1 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 ("**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 Singapore Exchange Securities Trading Limited ("**SGX-ST**"), PricewaterhouseCoopers, 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.

2.2 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.

2.3 The Company is presently acting as an investment holding company. The Company incorporated a wholly-owned subsidiary, CAOT Pte. Ltd. ("**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.

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

- (a) a conditional investment agreement ("**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; and
- (b) a conditional subscription agreement ("**Subscription Agreement**") with Aranda Investments Pte. Ltd. ("**Aranda**") (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited) 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.

2.5 On 5 December 2005, the Company also announced its FY2004 audited financial statements. The Company and its subsidiaries ("**Group**") incurred a net loss of S\$864.8 million for the financial year ("**FY**") ended 31 December 2004, 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.

- 2.6 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 announcements 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.

SECTION 3: INFORMATION ON THE RESTRUCTURING PLAN

- 3.1 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.

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

- (a) Creditors’ Scheme, as described in sub-section (I) below.
- (b) Share Consolidation, as described in sub-section (II) below.
- (c) Issue of new shares of the Company to CAOHC, BP and Aranda pursuant to the Investment Agreement and Subscription Agreement (as the case may be), as described in sub-section (III) below.
- (d) Creditors’ Share Invitation, as described in sub-section (IV) below.
- (e) The Scheme herein, of which these Scheme Documents relate to.

I. Creditors’ Scheme

- 3.3 Under the scheme of arrangement made with Creditors of the Company under Section 210 of the Act, which was approved by Creditors and sanctioned by the High Court of Singapore on 13 June 2005 (“**Creditors’ Scheme**”), it is 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) will 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 will 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 will be waived by Creditors. Certain of BP’s affiliates are also Creditors under the Creditors’ Scheme.
- (d) CAOHC will 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.

3.4 A copy each of the Company's announcements dated 12 May 2005 and 24 May 2005 on the Creditors' Scheme is available for downloading on the Company's website at www.caosco.com.

II. Share Consolidation

3.5 The share consolidation comprises the consolidation of the share capital of the Company so that every 5 ordinary shares are consolidated into 1 ordinary share ("**Share Consolidation**").

III. Issue of shares to CAOHC, BP and Aranda Pursuant to the Investment Agreement and Subscription Agreement (as the case may be)

3.6 The entry into the Investment Agreement and Subscription Agreement is in connection with the Creditors' Scheme.

A. Investment Agreement

3.7 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 US\$:S\$ exchange rate of 1.6920573 ("**Fixed Exchange Rate**") in the Company for 248,945,984 new shares (subsequent to the Share Consolidation) in the Company ("**CAOHC Investment Shares**"), comprising approximately 34.44% of the post-Restructuring Plan share capital of the Company (assuming implementation of the Restructuring Plan in its entirety, including the issue of new shares thereunder) ("**Post-Restructuring Plan Share Capital**"), at the issue price of S\$0.515 (or approximately US\$0.3044, based on the Fixed Exchange Rate) ("**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 (subsequent to the Share Consolidation) 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 (subsequent to the Share Consolidation) 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 ("**CAOHC Conversion Shares**"); and

(d) pursuant to and in discharge of the settlement between CAOHC and the Monetary Authority of Singapore in relation to the placement of shares in the Company by CAOHC on 21 October 2004 and as part of the Scheme herein, CAOHC will direct that 27,171,435 CAOHC Conversion Shares (or approximately 90.9% of the CAOHC Conversion Shares, being the shares attributable to the shareholder's loan owing to CAOHC) ("**Scheme Shares**"), 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 Shareholders of the Company (other than CAOHC and its associates, if any), based on their respective shareholdings in the Company, as at the Books Closure Date (as defined below).

B. Subscription Agreement

3.8 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 (subsequent to the Share Consolidation) in the Company ("**Subscription Shares**"), comprising approximately 4.65% of the Post-Restructuring Plan Share Capital, at the Issue Price per share.

C. Shareholders' Agreement

- 3.9 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 ("**Completion**").
- 3.10 Under the Shareholders' Agreement, *inter alia*, the board of directors of the Company 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).
- 3.11 In addition, 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 Completion, subject to the occurrence of certain events prior to the expiry of such 5 years' period. CAOHC and BP shall also procure that the Company does not undertake certain reserved matters unless otherwise agreed between them. Such reserved matters include (a) winding up of any Group company, (b) any material change in the nature of business of the Company or any Group company, (c) any material change in the risk management policies of the Company, (d) 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 (e) the undertaking of any Major Transaction (as defined in the Listing Manual) by any Group company.

D. Business Co-operation Agreement

- 3.12 Pursuant to the Investment Agreement, the Company and BP's affiliate, BP Singapore Pte Ltd ("**BPS**"), have also on 5 December 2005 entered into the Business Co-operation Agreement, which takes effect on Completion, 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 aviation fuel to the Company in accordance with the terms of the Business Co-operation Agreement.
- 3.13 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.
- 3.14 Under the Business Co-operation Agreement, BPS will also make available various training and risk management services where required by the Company.

E. Memorandum of Understanding

- 3.15 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.
- 3.16 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 Completion.

3.17 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.

F. Conditions Precedent

3.18 Completion of the issue and allotment of the CAOHC Investment Shares, BP 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 the date of Completion ("**Completion Date**"):

- (a) approval of Shareholders in respect of the relevant transactions contemplated under the Restructuring Plan at an extraordinary general meeting ("**EGM**") to be convened;
- (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, 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) all conditions of the Creditors' Scheme being fulfilled or waived on or prior to the Completion Date;
- (e) the conditions precedent for the effectiveness of the Scheme herein being fulfilled or waived, and the execution and delivery by CAOHC of a deed poll to the Scheme, on or prior to the Completion Date;
- (f) the Business Co-operation Agreement, Shareholders' Agreement and Subscription Agreement remaining in full force and effect on the Completion Date;
- (g) there having been no material change or development in relation to certain matters; and
- (h) the approval of all other relevant regulatory authorities and bodies to the transactions contemplated under the Restructuring Plan.

3.19 Completion of the issue and allotment of the Subscription 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), (e) and (h) on or prior to Completion and the Shareholders' Agreement by CAOHC and BP remaining in full force and effect on Completion.

3.20 Completion of the issue and allotment of the CAOHC Investment Shares, BP Investment Shares, CAOHC Conversion Shares and Subscription 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.

G. Undertaking to Vote

3.21 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 Scheme herein.

IV. Creditors' Share Invitation

- 3.22 The Creditors' Share Invitation is an invitation to Creditors who hold Tranche B Debt (as defined in the Creditors' Scheme) ("**Tranche B Creditors**") to subscribe for 72,282,000 new shares, representing approximately 10.00% of the Post-Restructuring Plan Share Capital of the Company, at a subscription price equal to the Issue Price. The subscription consideration payable by each applicant Creditor shall be set off by the Company against the debt payable to Creditors under the Creditors' Scheme.
- 3.23 On 28 December 2005, the Creditors' Share Invitation closed, and based on applications received, was oversubscribed. The aggregate subscription consideration to be set-off by the Company is approximately US\$22 million (based on the Fixed Exchange Rate). 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.
- 3.24 Shareholders may refer to the announcement of the Company dated 5 December 2005 and the circular to Shareholders dated 8 February 2006, in relation to the Restructuring Plan, for more information. A copy each of the aforesaid announcement and circular is available for downloading on the SGX-ST website at www.sgx.com.
- 3.25 An extraordinary general meeting of the Company has been convened on 3 March 2006, to be held immediately after the Meeting, to seek Shareholders' approval to the transactions contemplated under the Restructuring Plan.

SECTION 4: INFORMATION ON THE SCHEME

4.1 PRINCIPAL TERMS OF SCHEME

- (a) Under the proposed Scheme:
- (i) 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 Subscription Agreement (as the case may be);
 - (ii) the Company and CAOHC shall execute all documents and do all acts and things necessary to implement the Restructuring Plan; and
 - (iii) CAOHC shall direct the Company to, and the Company shall, issue and allot the Scheme Shares on the Completion Date on an *ex-gratia* basis and *pro-rata* to the Shareholders entitled under the Scheme (other than CAOHC and its associates, if any) ("**Entitled Shareholders**") as at the Books Closure Date.
- (b) In consideration of the foregoing, the Shareholders shall, on and from the Completion Date, unconditionally and irrevocably waive all actions, claims and potential claims, whether statutory, contractual, tortious or otherwise, and including any right to claim, in Singapore or elsewhere (including, but not limited to, forbearing to proceed with (i) Civil Action No. 05CV00060 (RPP); (ii) Civil Action No. 05CV02018 (RMB), both filed in the Southern District of New York; (iii) Originating Summons No. 66 of 2005 filed in the Subordinate Courts of Singapore; and (iv) any appeals therefrom) against the Company, CAOHC, and/or their respective directors, officers and employees (past or present) (collectively the "**Scheme Beneficiaries**") 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).

4.2 DEED POLL

CAOHC will, prior to Completion, execute a deed poll in favour of the Shareholders of the Company whereby CAOHC will undertake to fulfil its obligations set out in the Scheme, subject to the Scheme being approved by the requisite Shareholders and sanctioned by the Court.

4.3. SHAREHOLDERS' ENTITLEMENT TO SCHEME SHARES AND ISSUE AND ALLOTMENT OF SCHEME SHARES TO SHAREHOLDERS

- (a) On the Completion Date, CAOHC shall instruct the Company to, and the Company shall, issue and allot the Scheme Shares on an *ex-gratia* basis and *pro-rata* to the Entitled Shareholders on the Completion Date, free of all encumbrances and together with all rights and entitlements attaching thereto as of the Completion Date. The Scheme Shares, when issued and allotted, shall rank *pari passu* in all respects with the then existing shares, save for any dividends, rights, allotments or other distributions the record date for which falls before the date of issue of the Scheme Shares.
- (b) The books closure date in relation to the Shareholders' entitlement to the Scheme Shares ("**Books Closure Date**") is **6 March 2006 at 5 p.m.**. The Books Closure Date will be the same date as the books closure date in respect of the Share Consolidation.
- (c) Entitlements to the Scheme Shares will be determined on the basis of the number of shares held by an Entitled Shareholder as at the Books Closure Date. Entitled Shareholders should note that the number of Scheme 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.
- (d) In any case where the Company is of the view that the distribution of Scheme 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 Scheme 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 amongst such Overseas Shareholders in accordance with their respective entitlements to the Scheme Shares as at the Books Closure Date, in full satisfaction of their rights to the Scheme 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.

4.4 EFFECTIVE DATE

Subject to the approval of the Scheme by at least a majority in number representing three-fourths (i.e. 75%) in value of the Shareholders present and voting at the Meeting and the confirmation of the Scheme by the Court pursuant to Section 210(3) of the Act, the Scheme shall 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.

4.5 COMPLETION DATE

- (a) Subject to satisfaction or waiver of the conditions precedent under the Investment Agreement and the Subscription Agreement for Completion, the Scheme shall be implemented on the Completion Date.
- (b) In consideration of:
 - (i) each of the Company and CAOHC performing 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 Subscription Agreement (as the case may be);
 - (ii) the Company and CAOHC executing all documents and doing all acts and things necessary to implement the Restructuring Plan; and
 - (iii) CAOHC directing the Company to issue and allot, and the Company issuing and allotting, the Scheme Shares on the Completion Date on an *ex-gratia* basis and *pro-rata* to the Entitled Shareholders (other than CAOHC and its associates, if any) as at the Books Closure Date,

the Shareholders shall, on and from the Completion Date, unconditionally and irrevocably waive all actions, claims and potential claims, whether statutory, contractual, tortious or otherwise, and including any right to claim, in Singapore or elsewhere (including, but not limited to, forbearing to proceed with (i) Civil Action No. 05CV00060 (RPP); (ii) Civil Action No. 05CV02018 (RMB), both filed in the Southern District of New York; (iii) Originating Summons No. 66 of 2005 filed in the Subordinate Courts of Singapore; and (iv) any appeals therefrom) against the Scheme Beneficiaries 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).

4.6 MORATORIUM

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 (including, but not limited to (i) Civil Action No. 05CV00060 (RPP); (ii) Civil Action No. 05CV02018 (RMB), both filed in the Southern District of New York; (iii) Originating Summons No. 66 of 2005 filed in the Subordinate Courts of Singapore; and (iv) any appeals therefrom) against the Scheme Beneficiaries 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). Upon Completion, all such actions, claims or potential claims shall forever be extinguished with effect from and on the Completion Date.

4.7 TERMINATION OF SCHEME

The Scheme shall terminate absolutely and immediately if the Scheme is not implemented within four months of the Effective Date.

SECTION 5: IMPLEMENTING THE SCHEME

5.1 MEETING AND ACTION TO BE TAKEN

Meeting

- (a) For the Scheme to become effective, it must first be agreed to by a majority in number representing three-fourths (i.e. 75%) in value of the Shareholders, voting in person or by proxy, at the Meeting, and subsequently approved by the Court of Singapore. The Meeting will be held on **3 March 2006 at 2:00 p.m. at Hall 8, Singapore Expo, 1 Expo Drive, Singapore 486150.**
- (b) If and when the Scheme becomes effective, it will be binding on the Shareholders whether or not they were present in person or by proxy or voted to approve the Scheme at the Meeting.

Proxy Form

- (a) Shareholders may vote in person at the Meeting or appoint another person as their proxy to attend and vote on their behalf. Please complete, sign and return the enclosed Proxy Form, in accordance with the instructions printed on it. This does not prevent you from attending in person at the Meeting.
- (b) You should complete and return the enclosed Proxy Form in accordance with the instructions printed on it and ensure that it reaches the Company c/o Deloitte & Touche Corporate Finance Pte Ltd at 8 Temasek Boulevard #31-02 Suntec Tower Three, Singapore 038988 **by no later than 2:00 p.m., 1 March 2006.**
- (c) Please note that proxies sent by facsimile will not be accepted for voting purposes unless the original is received at the Company prior to the Meeting.
- (d) Your attention is directed to the notes on the Proxy Form, which should be carefully adhered to, since the Proxy Form may otherwise be invalid and thereby rejected.

5.2 APPROVAL BY THE COURT

Sanction of the Scheme by the Court

- (a) The Scheme shall become effective as soon as an office copy of the Order of the Court sanctioning the Scheme shall have been delivered for registration to the Registrar of Companies as required by the Act.
- (b) The Company may consent to any modification of or addition to the Scheme or any condition which the Court may think fit to approve or impose. The Scheme will become effective on the Effective Date, being the date the order of the Court approving the Scheme is lodged with the Registrar of Companies.

5.3 IMPLEMENTATION DATE

- (a) The Scheme will be implemented only if the relevant conditions precedent for Completion have been satisfied and/or fulfilled on or prior to the Completion Date.
- (b) The Scheme shall be implemented on the Completion Date.

SECTION 6: INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES OF THE COMPANY AND CAOHC (BEING A SUBSTANTIAL SHAREHOLDER)

6.1 INTEREST OF DIRECTORS, OFFICERS AND EMPLOYEES OF THE COMPANY

- (a) The directors, officers and employees of the Company have an interest in the Scheme, insofar that upon implementation of the Scheme on the Completion Date, the Shareholders shall unconditionally and irrevocably waive all actions, claims and potential claims, whether statutory, contractual, tortious or otherwise, and including any right to claim, in Singapore or elsewhere (including, but not limited to (i) Civil Action No. 05CV00060 (RPP); (ii) Civil Action No. 05CV02018 (RMB), both filed in the Southern District of New York; (iii) Originating Summons No. 66 of 2005 filed in the Subordinate Courts of Singapore; and (iv) any appeals therefrom) against, *inter alia*, the directors, officers and employees of the Company 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).
- (b) Jia Changbin, Gu Yanfei, Li Yongji, Chen Kaibin and Zhang Lianxi, being directors of the Company, are associated with CAOHC (being a substantial shareholder of the Company).
- (c) As at the date of this Explanatory Statement, the Company is not aware of any directors, officers or employees of the Company holding or owning any shares in the Company.

6.2 INTEREST OF CAOHC

CAOHC has an interest in the Scheme, insofar that upon implementation of the Scheme on the Completion Date, the Shareholders shall unconditionally and irrevocably waive all actions, claims and potential claims, whether statutory, contractual, tortious or otherwise, and including any right to claim, in Singapore or elsewhere (including, but not limited to (i) Civil Action No. 05CV00060 (RPP); (ii) Civil Action No. 05CV02018 (RMB), both filed in the Southern District of New York; (iii) Originating Summons No. 66 of 2005 filed in the Subordinate Courts of Singapore; and (iv) any appeals therefrom) against, *inter alia*, CAOHC and/or its 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).

SECTION 7: CONCLUSION

The 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 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).

By Order of the Board
China Aviation Oil (Singapore) Corporation Ltd

SCHEME OF ARRANGEMENT DATED 8 FEBRUARY 2006

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

Originating Summons No.)
No. 199 of 2006/X)

**IN THE MATTER OF CHINA AVIATION OIL
(SINGAPORE) CORPORATION LTD**

(Company Registration No. 199303293Z)

And

**In the Matter of The Companies Act
(Cap. 50, 1994 Revised Edition)**

SCHEME OF ARRANGEMENT
under Section 210 of the Companies Act
(Cap. 50, 1994 Revised Edition)

Between

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Incorporated in the Republic of Singapore with limited liability)

And

ITS SHAREHOLDERS
(as defined in the Scheme of Arrangement)

1. Definitions

- 1.1 In the Scheme (as defined below), unless otherwise defined herein or except where the context or subject matter otherwise indicates or requires, words shall have the same meaning ascribed to them by the Act (as defined below).
- 1.2 Words denoting the singular number only shall, where applicable, include the plural number and *vice versa*, and words denoting persons only shall, where applicable, include firms and corporations.
- 1.3 Words importing any gender shall, where applicable, include the other gender and references to any person shall, where applicable, include that person's successor and permitted assigns.
- 1.4 Any reference to a statutory provision shall include such provision and any regulations made in pursuance thereof as may from time to time be modified or re-enacted whether before or after the date of the Scheme.
- 1.5 The terms "*Depositor*", "*Depository Agent*" and "*Depository Register*" shall have the meanings ascribed to them respectively in Section 130A of the Act.

1.6 Any reference in the Scheme to a time of day shall be a reference to Singapore time, unless otherwise stated.

1.7 The following words and phrases in the Scheme shall have the meanings set out opposite them:

Word / Phrase	Definition
<i>'Act'</i>	The Companies Act of Singapore (Cap 50).
<i>'Aranda'</i>	Aranda Investments Pte. Ltd., being an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited.
<i>'Articles'</i>	Articles of Association of the Company.
<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">(i) his immediate family;(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(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (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.
<i>'Authority'</i>	Monetary Authority of Singapore.
<i>'Books Closure Date'</i>	6 March 2006 at 5 p.m. , being the date and time the Transfer Books and the Register of Members of the Company will be closed in order to determine the entitlements of the Shareholders whose Shares are registered in their own names to the Scheme Shares and at and on which the entitlements of the Shareholders who are Depositors will be determined.
<i>'BP'</i>	BP Investments Asia Limited.
<i>'BP Investment Shares'</i>	Has the meaning ascribed to it in paragraph 3.6(b) herein.
<i>'BPS'</i>	BP Singapore Pte Ltd.
<i>'Business Co-operation Agreement'</i>	The conditional agreement dated 5 December 2005 made between the Company, CAOHC and BP's affiliate, BPS, in relation to the provision of services by BPS to the Company.
<i>'CAOHC'</i>	China Aviation Oil Holding Company, the holding company of the Company.
<i>'CAOHC Investment Shares'</i>	Has the meaning ascribed to it in paragraph 3.6(a) herein.
<i>'CAOHC Conversion Shares'</i>	Has the meaning ascribed to it in paragraph 3.6(c) herein.
<i>'CAOT'</i>	CAOT Pte. Ltd., a wholly-owned subsidiary of the Company.

<i>'CDP'</i>	The Central Depository (Pte) Limited.
<i>'Company'</i>	China Aviation Oil (Singapore) Corporation Ltd.
<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, being also the date of implementation of the Scheme.
<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 successful Tranche B Creditors pursuant to the Creditors' Share Invitation.
<i>'Creditors' Pay-Out'</i>	Has the meaning ascribed to it in paragraph 3.3(b) herein.
<i>'Creditors' Scheme'</i>	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.
<i>'Creditors' Share Invitation'</i>	The invitation by the Company to the Tranche B Creditors to subscribe for the Creditors' Invitation Shares.
<i>'Court'</i>	The High Court of the Republic of Singapore.
<i>'Designated Broker'</i>	Has the meaning ascribed to it in paragraph 6.6.2 herein.
<i>'Effective Date'</i>	The date of effectiveness of the Scheme, being the date on which an office copy of the Order of Court sanctioning the Scheme is lodged with the Registrar of Companies.
<i>'EGM'</i>	The extraordinary general meeting of the Company to seek the approval of shareholders of the Company for the Restructuring Plan (or any adjournment thereof).
<i>'Entitled Depositors'</i>	Entitled Shareholders with Shares entered against their names in the Depository Register as at the Books Closure Date.
<i>'Entitled Shareholders'</i>	The Shareholders with registered addresses in Singapore as at the Books Closure Date or those who have at least 5 Market Days prior to the Books Closure Date, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents.
<i>'Fixed Exchange Rate'</i>	Fixed US\$:S\$ exchange rate of 1.6920573.
<i>'FY'</i>	Financial year ending or ended 31 December (as the case may be).
<i>'Group'</i>	The Company and its subsidiaries.
<i>'Group Company'</i>	Any company within the Group.
<i>'Investment Agreement'</i>	The conditional investment agreement dated 5 December 2005 made between the Company, CAOHC and BP in relation to, <i>inter alia</i> , the subscription of Shares in the Company by CAOHC and BP, as may be amended or supplemented from time to time.
<i>'Issue Price'</i>	S\$0.515 per Share (or approximately US\$0.3044, based on the Fixed Exchange Rate).

<i>'Market Day'</i>	A day on which SGX-ST is open for securities trading.
<i>'Meeting'</i>	The meeting of Shareholders to be convened and held under the directions of the Court pursuant to the Company's application under section 210 of the Act, for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme, and any adjournment thereof.
<i>'Overseas Shareholders'</i>	The Shareholders whose registered addresses, as recorded in the Register of Members of the Company or in the Depository Register maintained by CDP, as at the Books Closure Date, are outside Singapore.
<i>'Post-Restructuring Plan Share Capital'</i>	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 new Shares pursuant to the Restructuring Plan.
<i>'PRC'</i>	The People's Republic of China.
<i>'Record Date'</i>	In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which the Shareholders must be registered in order to participate in such dividends, rights, allotments or other distributions.
<i>'Requisite Shareholders Approval'</i>	The approval of the Scheme by a majority in number representing three-fourths (i.e. 75%) in value of the Shareholders voting in person or by proxy at the Meeting.
<i>'Restructuring Plan'</i>	Has the meaning ascribed to it in paragraphs 3.1 and 3.2 herein.
<i>'Scheme'</i>	All of the within provisions, subject to any modifications and amendments hereto and/or conditions which may be approved or imposed from time to time by the Court.
<i>'Scheme Beneficiaries'</i>	Collectively, the Company, CAOHC and/or their respective directors, officers and employees (past or present).
<i>'Scheme Documents'</i>	Collectively, the Scheme, the Scheme Notice and proxy form, the Scheme Explanatory Statement and any other documents in connection with the Scheme.
<i>'Scheme Explanatory Statement'</i>	The statement to the Shareholders made pursuant to Section 211 of the Act to explain the effect of the Scheme.
<i>'Scheme Notice'</i>	The notice to be despatched to the Shareholders to convene the Meeting.
<i>'Scheme Shares'</i>	Has the meaning ascribed to it in paragraph 3.6(d) herein.
<i>'Securities Account'</i>	A securities account maintained by a Depositor with CDP but does not include a securities sub-account.
<i>'SGX-ST'</i>	The Singapore Exchange Securities Trading Limited.
<i>'Shareholders'</i>	Persons who are registered holders of Shares in the Register of Members of the Company as at the Specified Date, or where CDP is the registered holder, the term <i>'Shareholders'</i> shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares as at the Specified Date. <i>'Shareholders'</i> shall include the purchasers or transferees of the Shares of the aforesaid persons and Depositors subsequent to the Specified Date.
<i>'Share Consolidation'</i>	Has the meaning ascribed to it in paragraph 3.4 herein.

<i>'Shareholders' Agreement'</i>	The shareholders' agreement dated 5 December 2005 made between CAOHC and BP to govern their rights and obligations <i>vis-à-vis</i> each other as shareholders of the Company, as may be amended or supplemented from time to time.
<i>'Shares'</i>	(As the context may admit) ordinary shares in the capital of the Company as at the date hereof or subsequent to the Share Consolidation.
<i>'Specified Date'</i>	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 Scheme Notice, which date has been announced by the Company on 27 January 2006.
<i>'Subscription Agreement'</i>	The conditional subscription agreement dated 5 December 2005 made between the Company, CAOHC and Aranda in relation to, <i>inter alia</i> , the subscription of Shares in the Company by CAOHC and Aranda, as may be amended or supplemented from time to time.
<i>'Subscription Shares'</i>	Has the meaning ascribed to it in paragraph 3.7 herein.
<i>'Temporary Period'</i>	Has the meaning ascribed to it in paragraph 6.6.1 herein.
<i>'Tranche B Creditors'</i>	Creditors under the Creditors' Scheme who hold Tranche B Debt.
<i>'Tranche B Debt'</i>	Has the meaning ascribed to it in the Creditors' Scheme.
<i>'UOBKH'</i>	UOB Kay Hian Pte Ltd, being the Designated Broker.
<i>'S\$' or 'SGD' and 'cents'</i>	Singapore dollars and cents respectively.
<i>'US\$' or 'US dollars'</i>	United States dollars.
<i>'%' or 'percent'</i>	Per centum or percentage.

2. Preamble

- 2.1 The Company was a limited private company when it was first incorporated in Singapore on 26 May 1993. The Company became a publicly listed company on the main board of the SGX-ST on 6 December 2001.
- 2.2 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, PricewaterhouseCoopers, as special investigative accountant to review and investigate the Company's affairs relating to the incurrance 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.

- 2.3 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.
- 2.4 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.
- 2.5 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 in relation to their proposed investment in the Company; and
 - (b) a conditional subscription agreement with Aranda in relation to its proposed subscription of shares in the Company.
- 2.6 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.
- 2.7 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. Restructuring Plan

- 3.1 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.
- 3.2 The Restructuring Plan encompasses, *inter alia*, implementation of the following:
- (a) Creditors' Scheme.
 - (b) Share Consolidation.
 - (c) Issue of new Shares of the Company to CAOHC, BP and Aranda pursuant to the Investment Agreement and Subscription Agreement (as the case may be).
 - (d) Creditors' Share Invitation.
 - (e) The Scheme herein.
- 1. Creditors' Scheme*
- 3.3 Under the scheme of arrangement made with Creditors of the Company under Section 210 of the Act, which was approved by Creditors and sanctioned by the High Court of Singapore on 13 June 2005 ("**Creditors' Scheme**"), it is 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) will 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 will 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 will be waived by Creditors. Certain of BP's affiliates are also Creditors under the Creditors' Scheme.
- (d) CAOHC will 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.

II. Share Consolidation

- 3.4 The share consolidation comprises the consolidation of the share capital of the Company so that every 5 ordinary Shares are consolidated into 1 ordinary Share ("**Share Consolidation**").

III. Issue of Shares to CAOHC, BP and Aranda Pursuant to the Investment Agreement and Subscription Agreement (as the case may be)

- 3.5 The entry into the Investment Agreement and Subscription Agreement is in connection with the Creditors' Scheme.

A. Investment Agreement

- 3.6 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 (subsequent to the Share Consolidation) 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 (subsequent to the Share Consolidation) 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 (subsequent to the Share Consolidation) 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 ("**CAOHC Conversion Shares**"); and
- (d) pursuant to and in discharge of the settlement between CAOHC and the Monetary Authority of Singapore in relation to the placement of Shares in the Company by CAOHC on 21 October 2004 and as part of the Scheme herein, CAOHC will direct that 27,171,435 CAOHC Conversion Shares (or approximately 90.9% of the CAOHC Conversion Shares, being the Shares attributable to the shareholder's loan owing to CAOHC) ("**Scheme Shares**"), 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 shareholders of the Company (other

than CAOHC and its associates, if any), based on their respective shareholdings in the Company, as at the Books Closure Date.

B. Subscription Agreement

- 3.7 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 (subsequent to the Share Consolidation) in the Company ("**Subscription Shares**"), comprising approximately 4.65% of the Post-Restructuring Plan Share Capital, at the Issue Price per Share.

C. Shareholders' Agreement

- 3.8 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.
- 3.9 Under the Shareholders' Agreement, *inter alia*, the board of directors of the Company 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).
- 3.10 In addition, neither BP nor CAOHC 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 Completion, subject to the occurrence of certain events prior to the expiry of such 5 years' period. Parties shall also procure that the Company does not undertake certain reserved matters unless otherwise agreed between them. Such reserved matters include (a) winding up of any Group Company, (b) any material change in the nature of business of the Company or any Group Company, (c) any material change in the risk management policies of the Company, (d) 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 (e) the undertaking of any Major Transaction (as defined in the Listing Manual) by any Group Company.

D. Business Co-operation Agreement

- 3.11 Pursuant to the Investment Agreement, the Company and BP's affiliate, BPS, have also on 5 December 2005 entered into the Business Co-operation Agreement, which takes effect on Completion, 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 aviation fuel to the Company in accordance with the terms of the Business Co-operation Agreement.
- 3.12 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 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.
- 3.13 Under the Business Co-operation Agreement, BPS will also make available various training and risk management services where required by the Company.

E. Memorandum of Understanding

- 3.14 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.
- 3.15 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 Completion.
- 3.16 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.

F. Conditions Precedent

- 3.17 Completion of the issue and allotment of the CAOHC Investment Shares, BP 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 the Completion Date:
- (a) approval of shareholders in respect of the relevant transactions contemplated under the Restructuring Plan at an EGM to be convened;
 - (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, 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) all conditions of the Creditors' Scheme being fulfilled or waived on or prior to the Completion Date;
 - (e) the conditions precedent for the effectiveness of the Scheme herein being fulfilled or waived, and the execution and delivery by CAOHC of a deed poll to the Scheme, on or prior to the Completion Date;
 - (f) the Business Co-operation Agreement, Shareholders' Agreement and Subscription Agreement remaining in full force and effect on the Completion Date;
 - (g) there having been no material change or development in relation to certain matters; and
 - (h) the approval of all other relevant regulatory authorities and bodies to the transactions contemplated under the Restructuring Plan.
- 3.18 Completion of the issue and allotment of the Subscription 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), (e) and (h) on or prior to Completion and the Shareholders' Agreement by CAOHC and BP remaining in full force and effect on Completion.

3.19 Completion of the issue and allotment of the CAOHC Investment Shares, BP Investment Shares, CAOHC Conversion Shares and Subscription 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.

G. Undertaking to Vote

3.20 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 Scheme herein.

IV. Creditors' Share Invitation

3.21 The Creditors' Share Invitation is an invitation to Tranche B Creditors to subscribe for 72,282,000 new Shares, representing approximately 10.00% of the Post-Restructuring Plan Share Capital of the Company, at a subscription price equal to the Issue Price. The subscription consideration payable by each applicant Creditor shall be set off by the Company against the debt payable to Creditors under the Creditors' Scheme.

3.22 On 28 December 2005, the Creditors' Share Invitation closed, and based on applications received, was oversubscribed. The aggregate subscription consideration to be set-off by the Company is approximately US\$22 million (based on the Fixed Exchange Rate).

3.23 An extraordinary general meeting of the Company has been convened on 3 March 2006, to be held immediately after the Meeting, to seek Shareholders' approval to the transactions contemplated under the Restructuring Plan.

3.24 The Company now proposes the Scheme of Arrangement with the Shareholders.

4. Principal Terms of Scheme

4.1 Under the proposed Scheme:

- (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 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 Scheme Shares on the Completion Date on an *ex-gratia* basis and *pro-rata* to the Entitled Shareholders (other than CAOHC and its associates, if any) as at the Books Closure Date.

4.2 In consideration of the foregoing, the Shareholders shall, on and from the Completion Date, unconditionally and irrevocably waive all actions, claims and potential claims, whether statutory, contractual, tortious or otherwise, and including any right to claim, in Singapore or elsewhere (including, but not limited to, forbearing to proceed with (i) Civil Action No. 05CV00060 (RPP); (ii) Civil Action No. 05CV02018 (RMB), both filed in the Southern District of New York; (iii) Originating Summons No. 66 of 2005 filed in the Subordinate Courts of Singapore; and (iv) any appeals therefrom) against the Scheme Beneficiaries 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).

5. Deed Poll

CAOHC will, prior to Completion, execute a deed poll in favour of the Shareholders of the Company whereby CAOHC will undertake to fulfil its obligations set out in the Scheme, subject to the Scheme being approved by the Requisite Shareholders' Approval and sanctioned by the Court. The form of the deed poll is attached hereto as Appendix I.

6. Shareholders' Entitlement to Scheme Shares and Issue and Allotment of Scheme Shares to Shareholders

6.1 Issue and Allotment of Scheme Shares

On the Completion Date, CAOHC shall instruct the Company to, and the Company shall, issue and allot the Scheme Shares on an *ex-gratia* basis and *pro-rata* to the Entitled Shareholders, free of all encumbrances and together with all rights and entitlements attaching thereto as on the Completion Date. The Scheme Shares, when issued and allotted, shall rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions the Record Date for which falls before the date of issue of the Scheme Shares.

6.2 Books Closure Date

The Books Closure Date in relation to the Entitled Shareholders' entitlement to the Scheme Shares is **6 March 2006 at 5 p.m.** Entitled Shareholders should note that the number of Scheme 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 Books Closure Date will be the same date as the books closure date in respect of the Share Consolidation.

6.3 Scripless Shares

Entitlements to the Scheme Shares will be determined on the basis of the number of Entitled Shareholders (being Entitled Depositors) and the number of Shares standing to the credit of their respective Securities Accounts as at the Books Closure Date.

6.4 Scrip Shares

6.4.1 Entitlements to the Scheme Shares will be determined on the basis of the number of Entitled Shareholders (not being Entitled Depositors), and their holdings of Shares appearing in the Register of Members of the Company as at the Books Closure Date. Entitled Shareholders (not being Entitled Depositors) are requested, if they have not already done so, to take the necessary action to ensure that the Shares respectively owned by them are registered in their names or in the names of their nominees by the Books Closure Date.

6.4.2 Entitled Shareholders (not being Entitled Depositors) who hold physical share certificates and who wish to have the Scheme Shares credited into their Securities Accounts must deposit with CDP their physical share certificates together with the duly executed instruments of transfer in favour of CDP not later than 12 Market Day prior to the Books Closure Date so as to enable CDP to credit their Securities Accounts with their Shares by the Books Closure Date and subsequently, for CDP to credit their Securities Accounts with their entitlements of the Scheme Shares on the Completion Date.

6.4.3 Entitled Shareholders (not being Entitled Depositors) who have not deposited physical share certificates as aforesaid will receive physical share certificates representing their entitlements to the Scheme Shares. Such physical share certificates in respect of the

Scheme Shares will be sent by registered mail to the registered addresses of the relevant Entitled Shareholders (not being Entitled Depositors) at their own risk within 10 Market Days after the Completion Date.

6.5 Overseas Shareholders

- 6.5.1 The circulation of the Scheme Documents will be made in accordance with the Articles of Association of the Company. The Articles provide that a member who (having no registered address within Singapore) has not supplied to the Company or (as the case may be) the Depository an address within Singapore for the service of notices shall not be entitled to receive notices from the Company.
- 6.5.2 Accordingly, the Shareholders whose registered addresses, as recorded in the Register of Members of the Company or in the Depository Register maintained by CDP, as at the Books Closure Date are outside Singapore (“**Overseas Shareholders**”) will not receive the Scheme Documents unless they have or have given a Singapore registered address in the Register of Members or, as the case may be, the Depository Register.
- 6.5.3 In the case of joint holders, it is provided in the Articles that any notice given to one of the joint holders of a Share whose name stands first in the Register of Members or, (as the case may be), the Depository Register in respect of the Share shall be sufficient notice to all joint holders in their capacity as such. For such purpose, a joint holder having no registered address in Singapore and not having supplied an address within Singapore for the service of notices shall be disregarded.
- 6.5.4 Notwithstanding that Overseas Shareholders may not receive a copy of the Scheme Documents, they shall be bound by the Scheme if the Requisite Shareholders’ Approval are obtained, and the Scheme is sanctioned by the Court. Accordingly, subject as provided herein, the Scheme Shares will be credited to their Securities Accounts with CDP or they will be issued physical share certificates in respect of the Scheme Shares, as the case may be, in accordance with the procedures set out above.
- 6.5.5 In any case where the Company is of the view that the distribution of Scheme Shares to any 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 Scheme 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 amongst such Overseas Shareholders in accordance with their respective entitlements to the Scheme Shares as at the Books Closure Date, in full satisfaction of their rights to the Scheme 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.

6.6 Odd Lots Trading

- 6.6.1 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 in 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.

6.6.2 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 of UOBKH will apply. After the Temporary Period, the concessionary minimum brokerage fee will no longer apply.

6.7 **General Powers**

The Company shall be entitled to take all actions or steps necessary, desirable or expedient to effect the issue and allotment of the Scheme Shares to the Entitled Shareholders on the Completion Date.

7. **Effective Date**

Subject to the approval of the Scheme by at least a majority in number representing three-fourths (i.e. 75%) in value of the Shareholders present and voting at the Meeting and the confirmation of the Scheme by the Court pursuant to Section 210(3) of the Act, the Scheme shall 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. **Implementation of the Scheme**

8.1 Subject to the relevant conditions precedent for Completion being satisfied and/or fulfilled, the Scheme shall be implemented on the Completion Date.

8.2 In consideration of:

- (a) each of the Company and CAOHC performing 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 Subscription Agreement (as the case may be);
- (b) the Company and CAOHC executing all documents and doing all acts and things necessary to implement the Restructuring Plan; and
- (c) CAOHC directing the Company to issue and allot, and the Company issuing and allotting, the Scheme Shares on the Completion Date on an *ex-gratia* basis and *pro-rata* to the Entitled Shareholders (other than CAOHC and its associates, if any) as at the Books Closure Date,

the Shareholders shall, on and from the Completion Date, unconditionally and irrevocably waive all actions, claims and potential claims, whether statutory, contractual, tortious or otherwise, and including any right to claim, in Singapore or elsewhere (including, but not limited to, forbearing to

proceed with (i) Civil Action No. 05CV00060 (RPP); (ii) Civil Action No. 05CV02018 (RMB), both filed in the Southern District of New York; (iii) Originating Summons No. 66 of 2005 filed in the Subordinate Courts of Singapore; and (iv) any appeals therefrom) against the Scheme Beneficiaries 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).

9. Moratorium

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 (including, but not limited to (i) Civil Action No. 05CV00060 (RPP); (ii) Civil Action No. 05CV02018 (RMB), both filed in the Southern District of New York; (iii) Originating Summons No. 66 of 2005 filed in the Subordinate Courts of Singapore; and (iv) any appeals therefrom) against the Scheme Beneficiaries 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). Upon Completion, all such actions, claims or potential claims shall forever be extinguished with effect from and on the Completion Date.

10. Termination of Scheme

The Scheme shall terminate absolutely and immediately if the Scheme is not implemented within four months of the Effective Date.

11. Severability

- 11.1 If any provision in the Scheme shall be held to be invalid, illegal or unenforceable, in whole or in part, the provision shall apply with whatever deletion or modification is necessary so that the provision is legal, valid and enforceable and gives effect to the commercial intentions of the Company, the Shareholders and CAOHC.
- 11.2 To the extent it is not possible to delete or modify the provision in whole or in part, under paragraph 11.1, then such provision or part of it shall, to the extent that it is invalid, illegal or unenforceable, be deemed not to form part of the Scheme and the validity, legality and enforceability of the remainder of the Scheme shall, subject to any deletion or modification made under paragraph 11.1, not be affected.

12. Modifications or Amendments to Scheme

The Company may consent for and on behalf of all persons concerned (including without limitation the Shareholders and CAOHC) to any modification of, or amendment to, the Scheme or to any condition which the Court may think fit to approve or impose.

13. Proper Law and Jurisdiction

- 13.1 The Scheme shall be governed by and construed in accordance with the laws of the Republic of Singapore.

13.2 The parties to the Scheme (including the Company, the Shareholders and CAOHC) hereby irrevocably submit to the exclusive jurisdiction of the courts of Singapore in relation to any legal actions or proceedings arising out of or in connection with the Scheme.

14. Contracts (Rights of Third Parties) Act

Save for the Scheme Beneficiaries, a person who is not a party to the Scheme has no right under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore, to enforce any term of the Scheme.

APPENDIX I

DEED POLL

DEED POLL

THIS DEED POLL is made the day of 2006

BY:

CHINA AVIATION OIL HOLDING COMPANY (中国航空油料集团公司), a corporation incorporated in the People's Republic of China with its registered address at China Aviation Oil Plaza, Guancheng Garden, Madian, Haidian District, Beijing 100088, PRC ("**CAOHC**")

IN FAVOUR OF:

Each Shareholder of **CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD** ("**Company**") as defined in the scheme of arrangement to be made between the Company and the Shareholders under Section 210 of the Companies Act (Cap. 50) pursuant to Originating Summons No. 199 of 2006/X ("**Scheme**")

IT IS DECLARED AND AGREED by CAOHC as follows:

1. CAOHC hereby agrees with and undertakes that it shall comply with its obligations set out in the Scheme, upon such Scheme receiving the approval of a majority in number representing not less than three-fourths (i.e. 75%) in value of the Shareholders voting in person or by proxy at the meeting convened to approve the Scheme.
2. CAOHC acknowledges that this Deed Poll may be relied on and enforced by any Shareholder in accordance with its terms.
3. CAOHC represents and warrants that:
 - (a) it has the power to enter into and perform and comply with its obligations under or in connection with this Deed Poll;
 - (b) all action, conditions and things required to be taken, fulfilled and done in order: (i) to enable it to enter into and perform and comply with its obligations under or in connection with this Deed Poll; and (ii) to ensure that those obligations are legally binding and enforceable, have been taken, fulfilled and done;
 - (c) its obligations under or in connection with this Deed Poll are valid, binding and enforceable in accordance with their respective terms; and
 - (d) neither the signing and delivery of this Deed Poll nor the consummation of the transactions contemplated hereby will conflict with, or result in a breach of: (i) any applicable law or regulation; (ii) any order, writ, injunction or decree of any court or governmental authority or agency; or (iii) any agreement or instrument to which it is a party or by which it is bound.
4. This Deed Poll is irrevocable and remains in full force and effect until CAOHC has completely performed its obligations under this Deed Poll.
5. CAOHC hereby irrevocably appoints the person mentioned below as its agent to accept service of process in Singapore in any legal action or proceeding arising out of this Deed Poll, service upon whom shall be deemed valid service whether or not the process is forwarded to or received by CAOHC:

China Aviation Oil (Singapore) Corporation Limited

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

Fax: (65) 6333 5283
Attention: Mdm Gu Yanfei

6. This Deed Poll shall be governed by and construed in accordance with the laws of Singapore, and the parties hereby irrevocably submit to the exclusive jurisdiction of the courts of Singapore in relation to any legal actions or proceedings arising out of or in connection with the Scheme.

THIS DEED POLL has been duly executed as a deed on the date stated above.

Signed, sealed and delivered by JIA CHANGBIN,
the legal representative of
CHINA AVIATION OIL HOLDING COMPANY
in the presence of:



Witness's signature
Name:
Occupation:

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

Originating Summons)
No. 199 of 2006/X)

IN THE MATTER OF
CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)

And

In the Matter of The Companies Act
(Cap. 50, 1994 Revised Edition)

SCHEME OF ARRANGEMENT
under Section 210 of the Companies Act (Cap. 50)

Between

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Incorporated in the Republic of Singapore with limited liability)

And

ITS SHAREHOLDERS
(as defined in the Scheme of Arrangement,
pursuant to Originating Summons No. 199 of 2006/X)

NOTICE OF SHAREHOLDERS' SCHEME MEETING

NOTICE IS HEREBY GIVEN that a Meeting of the Shareholders of China Aviation Oil (Singapore) Corporation Ltd ("**Company**") will be held at **Hall 8, Singapore Expo, 1 Expo Drive, Singapore 486150 on 3 March 2006 at 2:00 p.m.** for the purpose of considering and, if thought fit, approving the Scheme of Arrangement ("**Scheme**") dated 8 February 2006 proposed to be made pursuant to Section 210 of the Companies Act (Cap. 50) ("**Act**") between (1) the Company and (2) its Shareholders (as defined in the Scheme).

Mr Andrew Grimmer of Deloitte & Touche Corporate Finance Pte Ltd, being the financial adviser to the Company in respect of the equity issuance under its restructuring plan, will act as the Chairman of the Meeting and to report the results thereof to the Court.

The Scheme, the Explanatory Statement and the Proxy Form required to be furnished pursuant to Section 211 of the Act are incorporated in the printed documents ("**Scheme Documents**"). Copies of the Scheme Documents have been sent by post to the Shareholders. In the event that they are not received within 3 working days of the advertisement of this Notice, any Shareholder entitled to attend the Meeting can also obtain copies of the Scheme Documents from the registered office of the Company at 8 Temasek Boulevard #31-02 Suntec Tower Three, Singapore 038988 at any time between 9:00 a.m. and 5:00 p.m., from Monday to Friday (excluding Public Holidays) until the day before the Meeting. Persons who wish to obtain such Scheme Documents are requested to call Ms Cassandra Wong or Ms Kamun Cheong of Deloitte & Touche Corporate Finance Pte Ltd at (DID) 6330 1267 or 6330 1230, respectively, before attending at the registered office of the Company.

The Shareholders may vote in person at the Meeting or they may appoint another person, as their proxy to attend and vote in their stead.

Forms appointing proxies must be lodged with the Company, c/o Deloitte & Touche Corporate Finance Pte Ltd (Attention: Mr Andrew Grimmett), at the registered office of the Company at 8 Temasek Boulevard #31-02 Suntec Tower Three, Singapore 038988 **by no later than 2:00 p.m. on 1 March 2006.**

The Scheme will be subject to, *inter alia*, the subsequent approval of the High Court of Singapore.

Dated this 8th day of February 2006

PROXY FORM FOR COURT MEETING OF SHAREHOLDERS

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Incorporated in the Republic of Singapore)
(Company Registration No. 199303293Z)

FORM OF PROXY FOR USE AT THE SCHEME MEETING OF
THE SHAREHOLDERS (OR AT ANY ADJOURNMENT THEREOF)

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

Originating Summons)
No. 199 of 2006/X)

In the Matter of
CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)

And

In the Matter of Section 210 of the Companies Act
(Cap. 50, 1994 Revised Edition)

SCHEME OF ARRANGEMENT
under Section 210 of the Companies Act (Cap. 50)

Between

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

And

ITS SHAREHOLDERS

I/We, _____

of _____

being a Shareholder of China Aviation Oil (Singapore) Corporation Ltd hereby appoint:

Name	Address	NRIC/Passport Number

or failing him, the Chairman of the Court Meeting of Shareholders ("**Meeting**") convened on the directions of the High Court of Singapore as my/our proxy, to attend and vote for me/us on my/our behalf, at the Meeting to be held at **Hall 8, Singapore Expo, 1 Expo Drive, Singapore 486150 on 3 March 2006 at 2:00 p.m.** and at any adjournment thereof for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme referred to in the Notice convening the Meeting.

I/We direct my/our proxy to vote in the manner indicated below. (If no specific direction as to the manner of voting is given, the proxy will vote or abstain from voting at his discretion.)

RESOLUTION	For*	Against*

* Please indicate how you wish to vote, i.e. either "For" or "Against" with an "X" within the box provided.

Dated this _____ day of _____ 2006

Total Number of Shares Held

Signature of Individual Member/ Common Seal of
Corporate Member

Notes:

1. All capitalised terms used herein and defined in the Notice of Meeting shall, unless otherwise defined herein, bear the respective meanings ascribed thereto in the Notice of Meeting.
2. In the space provided for "Total Number of Shares Held", please write the total number of shares held by you. If you only have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act (Cap. 50) ("**Act**")), you should write that number of shares. If you only have shares registered in your name in the Register of Members, then you should write that number of shares. However, if you have shares entered against your name both in the Depository Register and the Register of Members, you should write the total number of your shares in these Registers.
3. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead.
4. The instrument appointing the proxy must be deposited at the registered office of the Company c/o Deloitte & Touche Corporate Finance Pte Ltd at 8 Temasek Boulevard #31-02 Suntec Tower Three Singapore 038988, not later than 48 hours before the time of the Meeting.
5. The instrument appointing the proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the proxy is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
6. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body or such person as it thinks fit to act as its representative at the meeting in accordance with Section 179 of the Act.
7. The Company shall be entitled to reject the instrument appointing the proxy if it is incomplete, illegible or altered without authentication or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the proxy. In addition, in the case of Shareholders whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the proxy if such Shareholders are not shown to have shares entered against their names in the Depository Register 48 hours before the time of the Meeting as certified by the Central Depository (Pte) Limited to the Company.