

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

SUBMISSION OF PROPOSED SCHEME OF ARRANGEMENT TO COURT

The Company refers to its earlier announcement made on 10 December 2004 in respect of the approval granted by the High Court of Singapore (“High Court”) for an extension of time to submit the proposed Scheme of Arrangement (“Scheme”).

The Company is pleased to announce that pursuant to the Order of Court dated 10 December 2004 in Originating Summons No. 1539 of 2004/W, the Company has filed an affidavit in the High Court today, exhibiting a copy of the Scheme with a list of creditors and their debts and details of the proposed Chairman, date, time and place for a meeting of the Company’s creditors. Copies of the affidavit and the proposed Scheme will be sent to all known creditors shortly.

The principal terms of the proposed Scheme comprise:

- (a) A cash injection in the aggregate of up to US\$100,000,000 from China Aviation Oil Holding Company (“CAOHC”) and a new investor (the “New Investor”) into the Company by way of fresh equity to the Company on terms to be agreed between CAOHC, the New Investor and the Company for the purposes of contributing to the working capital of the Company and the upfront cash distribution to the creditors.
- (b) An upfront cash distribution of US\$100,000,000 to the creditors comprising:
 - (i) US\$70,000,000 from the cash injection set out in paragraph (a) above; and
 - (ii) US\$30,000,000 cash to be derived from the existing assets of the Company.
- (c) CAOHC shall be treated like the other unsecured creditors of the Company in the Scheme with respect to its shareholder loan of US\$118 million. However, as a gesture of goodwill, CAOHC will not participate in the cash distribution and the deferred debt but will convert its debt at a discount as specified in the Scheme to shares in the Company, at a price to be agreed by CAOHC, the New Investor and the Company.
- (d) The restructuring of creditors’ debt in the amount of US\$120,000,000 into a deferred debt repayable annually over a period of 8 years which is to be derived from cashflows from the operations of the Company and/or dividends from the Company’s shareholdings in investments and/or sale of assets of the Company, at the Company’s absolute discretion.

- (e) The irrevocable waiver, release, discharge and extinguishment of all rights, interests and claims by the creditors against the Company in relation to the balance waived debt of the Company.

The Company has been informed that CAOHC has invited Temasek Holdings (Private) Limited to participate in the fresh equity injection and the two parties have been engaged in and continue to be engaged in discussions with respect to the proposed investment.

The Company presently intends to convene the creditors' meeting on 10th June 2005, for the creditors to consider and approve, with or without modification, the proposed Scheme. After the proposed Scheme is filed, the Company will meet with creditors to explain and discuss the proposed Scheme. At the same time, the Company will in due course advertise and call for Proofs of Debt from creditors for purposes of adjudication of all claims against the Company. In addition, the Company will continue to engage in discussions and negotiations with CAOHC and New Investor with respect to the proposed cash injection by way of fresh equity from CAOHC and New Investor.

The Company will, in due course, send the Notice of the Creditors' meeting, giving not less than 14 days' notice, by post to the creditors and advertise the same in the English and Chinese language newspapers in Singapore. A copy of the explanatory statement to the Scheme will also be circulated to creditors together with the Notice of the Creditors' meeting.

The Company would like to highlight that this proposed Scheme is subject to the approval of the creditors, CAOHC and the relevant authorities in China, including but not limited to the State-owned Assets Supervisory and Administrative Commission ("SASAC") in China and such other regulatory bodies in the various jurisdictions as may be relevant. In addition, the proposed equity restructuring of the Company's shares and the proposed fresh equity injection from CAOHC and New Investor, are also subject to the approval of SASAC, CAOHC, New Investor, the Singapore Exchange Securities Trading Limited, minority shareholders of the Company and such other regulatory authorities/bodies in the various jurisdictions as may be relevant.

By Order of the Board
Adrian Chang
Company Secretary
24 January 2005