



# China Aviation Oil (Singapore) Corporation Ltd



## Extraordinary General Meeting

3 March 2006



## Agenda

- Introduction by Chairman
- **Details of Equity Restructuring and Governance changes including the Resolutions to be voted on during the EGM**
  - Share Consolidation
  - Issue of new shares to CAOHC, new investors and creditors
  - Appointment of new Directors
  - Amendment of Articles of Association
- Address by Mdm Gu Yanfei (Head of Special Task Force)
- Question & Answer Session
- Voting procedure
- Refreshments
- Voting results



## Inter-Conditionality



**RESOLUTIONS ARE INTERCONDITIONAL,  
IF ANY RESOLUTION IS NOT APPROVED,  
NONE OF THE RESOLUTIONS WILL BE  
EFFECTIVE AND THE RESTRUCTURING  
WILL FAIL.**

Shareholders should note that shareholders' approval of each of the resolutions set out in the following slides to enable the successful implementation of the Restructuring Plan to rehabilitate the Company as a going concern is a critical and necessary step towards satisfying the SGX conditions.

If any of the resolutions set out is not passed, the Company will not be able to implement the Restructuring Plan, including the Creditors' Scheme, and consequently, CAO may be subject to receivership, judicial management liquidation or similar actions by creditors.

3



## The Equity Restructuring



- A critical condition for equity restructuring was to procure new investors.
- After five rounds of negotiations, CAOHC and CAO concluded investment agreements with BP and Aranda.
- On 5 December 2005, CAO announced it had secured new investment of USD130 million after entering into an Investment Agreement with BP and a Subscription Agreement with Aranda:
  - CAOHC will invest US\$75.77 million for 248.9 million new shares (approximately 34.44% of the Post-Restructuring Share Capital);
  - BP Investment Asia Ltd ("BP") will invest US\$44.00 million for 144.6 million new shares (approximately 20% of the Post-Restructuring Share Capital);
  - Aranda Investments Pte Ltd, an indirect subsidiary of Temasek Holdings (Private) Limited will invest US\$10.23 million for 33.6 million new shares (approximately 4.65% of the Post-Restructuring Share Capital); and
  - Minority shareholders will have an equity stake of 14.47%.

4



## Share Consolidation



### Ordinary Resolution 1: Share Consolidation

- CAO proposes to undergo a 5 to 1 share consolidation before the issuance of the new shares as part of the Restructuring Plan.
- This will reduce the no. of shares in the Company from 967,679,992 to 193,535,998.
- Minority shareholders currently hold 387,071,992 issued shares.
- Subsequent to the share consolidation, the no. of shares held by minority shareholders will be 77,414,398 (10.71% of CAO before shareholders loan conversion shares).
- Without the consolidation 3.6 billion shares would have been in issue, with the new shares issued at a price of 10.3 cents and an NTA/share of less than 4 cents.
- The consolidation will increase the overall value per 1000 shares traded and reduce the corresponding transaction cost relative to the price.
- Arrangements have been made to assist shareholders with odd lots.

5



## Share Consolidation



### Odd lot arrangements

- Upon completion of the Restructuring Plan, shareholders will be left with odd lots.
- For purposes of illustration a shareholder who holds 1,000 shares will have 200 shares after Consolidation and a further 70 CAOHC Shareholders Loan Conversion Shares based on its the entitlement to the CAOHC Shareholders Loan Conversion Shares on the basis of 0.35 shares to every 1 existing share.
- In-principal approval has been obtained from the SGX to set up a temporary counter to allow shareholders to trade in board lots of 10 shares. This counter will be maintained for a period of 1 calendar month, commencing from the lifting of suspension in trading of shares.
- The Company has made arrangements with UOB Kay Hian Pte Ltd to be designated broker, for the purpose of providing shareholders a more economical avenue to dispose of their odd lots of shares.

6



## Issue and Allotment of New Shares



- As part of the Creditors' Scheme, an aggregate amount of USD130 million of fresh equity had to be raised.
- This was achieved when the Investment Agreement and Subscription Agreement was signed on 5 December 2005.
- An aggregate 529,284,539 new shares will be issued, pursuant to the Investment Agreement, the Subscription Agreement and the Creditors' Share Invitation, in consideration for cash injection / reduction in debt. The breakdown of the new shares to be issued are as follows:

### Ordinary Resolution 2: Issue and Allotment of CAOHC Investment Shares

- CAO proposes to issue and allot 248,945,984 new shares (34.44% of CAO) to CAOHC in consideration of its cash injection of USD75.77 million, pursuant to the Investment Agreement, the Subscription Agreement and CAOHC's debt conversion (after waiver).
- CAOHC will abstain from voting on this resolution.

7



## Issue and Allotment of New Shares



### Ordinary Resolution 3: Issue and Allotment of CAOHC Conversion Shares

- CAOHC will waive approximately USD113.2 million of outstanding shareholders' loan of USD111.2 million and outstanding declared and unpaid dividend of USD11.1 million owing by the Company to CAOHC.
- The balance of USD9.1 million will be converted into 29.9 million new shares in the Company.
- Of this amount, CAOHC will direct 27.2 million new shares (3.76% of CAO) to minority shareholders on a ex-gratia and pro-rata basis. This will increase minority shareholders holdings from 10.71% to 14.47% of CAO.
- Following the issuance of new shares, minority shareholders will hold in aggregate 104.6 million shares post-Restructuring Plan.
- CAOHC will abstain from voting on this resolution.

### Ordinary Resolution 4: Issue and Allotment of CAOHC Dividend Conversion Shares

- As above, the balance of 2.7 million new shares (0.37% of CAO) will be issued to CAOHC.
- CAOHC will abstain from voting on this resolution.

8



## Issue and Allotment of New Shares



### Ordinary Resolution 5: Issue and Allotment of BP Investment Shares

- CAO proposes to issue and allot 144,564,119 new shares to BP in consideration of its cash injection of USD44 million, pursuant to the Investment Agreement.
- CAOHC and BP have entered into a Shareholders' Agreement, which will allow BP to nominate 2 directors to the Board of CAO
- CAO and BP's affiliate, BP Singapore, have entered into a Business Co-operation Agreement, whereby BP Singapore will advise and assist CAO in its tender process for the jet fuel procurement. BP Singapore will also provide various training and risk management services to CAO.
- The Independent Financial Advisor has opined that the terms and conditions of the BCA will not be prejudicial to the interest of the Company or its minority shareholders and transactions will be carried out on normal commercial terms.
- A Memorandum of Understanding has also been executed, under which CAOHC and BP expect to inject operating assets which are synergistic and complementary to CAO's business. This is expected to increase CAO's asset base, earning capacity and prospects and improve shareholders' value.

9



## Issue and Allotment of New Shares



### Ordinary Resolution 6: Issue and Allotment of Aranda Investment Shares

- CAO proposes to issue and allot 33,611,158 new shares to Aranda, a wholly owned subsidiary of Temasek, in consideration of its cash injection of USD10.23 million, pursuant to the Subscription Agreement.

Shareholders should note that Completion of the issue and allotment of CAOHC Investment Shares, CAOHC Conversion Shares, BP Investment Shares and Aranda Investment Shares are inter-conditional. As such, each of CAOHC, BP and Aranda will subscribe for these shares only if the other parties concurrently subscribe for the new shares.

10

## Issue and Allotment of New Shares



### Ordinary Resolution 7: Issue and Allotment of Creditors' Invitation Shares

- In January, CAO announced that the Creditors had fully taken up the offer of 10% for USD22 million of debt consideration.
- CAO proposes to issue and allot 72,282,000 shares to successful creditors
- Upon issue and allotment of available Creditors' Invitation Shares on a pro-rata basis, USD9.6 million would be set off against the cash distribution payable to Tranche B creditors and USD12.4 million against the Deferred Debt payable, a total of USD22 million reduction in total repayment to creditors.
- This reduces the amount of cash and debt payable to creditors from USD275 million to USD253 million.

11

## The Company's Shareholding Structure



- On approval of Ordinary Resolutions 1 to 7, the Company's shareholding structure will be transformed as follows:

Group Structure	Pre-restructuring	%	Post-restructuring	%
<b>CAOHC</b>	<b>580,608,000</b>	<b>60.00</b>	<b>367,777,427</b>	<b>50.88</b>
<b>Minority shareholders</b>	<b>387,071,992</b>	<b>40.00</b>	<b>104,585,833</b>	<b>14.47</b>
<b>BP</b>	-	-	<b>144,564,119</b>	<b>20.00</b>
<b>Aranda</b>	-	-	<b>33,611,158</b>	<b>4.65</b>
<b>Creditors</b>	-	-	<b>72,282,000</b>	<b>10.00</b>
<b>TOTAL</b>	<b>967,679,992</b>	<b>100.00</b>	<b>722,820,537</b>	<b>100.00</b>

*CAOHC's shareholding includes shares for the new equity investment as well its existing shareholdings in CAO.*

12



## Operations and governance

13



## Introduction

- **The options losses and the surrounding crisis are a tragedy for all stakeholders.**
- **CAO has met and overcome many obstacles over the last 12 months in order to be here today.**
- **CAO could have easily collapsed and been liquidated.**
- **Many lessons have been learned and CAO will be a stronger company for the experience.**
- **The restructuring does not just end with debt and equity restructuring.**
- **Operational and governance improvements are being made concurrently.**

14



## Operations and governance



- Following the release of the PwC report, CAO appointed a Corporate Governance Assessment Committee.
- A majority of the Committee were highly respected and experienced Singaporeans.
- After a comprehensive review of the situation, the Committee reported to the Board in December 2005.
- The recommendations of the Committee have been positive, constructive and provide direction for the future.
- The report will serve as an important tool and reference as CAO seeks to improve its management structure, corporate governance, internal controls, risk management and other areas.
- CAO is currently working to propose suggestions on improving internal controls and systems in CAO, and will draft plans on adjusting company management structures and operation procedures with reference to the committee report.

15



## New Board of Directors



- The Shareholders' Circular disclosed details of material recommendations of the CGAC to be adopted by the new Board of Directors.
- The first recommendation was to restructure the constitution of the Board, to comprise of at least 3 independent Directors as well as to ensure compliance with the one-third requirement of the Code of Corporate Governance.
- CAO is proposing the appointment of 8 new directors to form the Board of Directors. Details are set out on the following slides.
- In line with the recommendations of the CGAC report, the following committees will be appointed :
  - Audit Committee;
  - Remuneration Committee;
  - Nominating Committee;
  - Disclosure Committee; and
  - Risk Management Committee.

16





## New Board of Directors



- After approval of Ordinary Resolutions 8 to 15 concerning the appointment of new directors, the new Board will comprise of 8 Directors, including 3 Independent Directors as follows;
  - Mr. Lim Jit Poh (Independent Chairman)
  - Mr. Zhao Shousen (Non-Executive Director)
  - Mr. Yang Chuan (Non-Executive Director)
  - Mr. Meng Fanqiu (Non-Executive Director)
  - Dr. Wu Shen Kong (Non-Executive Director)
  - Mr. Ian Springett (Non-Executive Director)
  - Mrs. Lee Suet Fern (Independent Director)
  - Mr. Liu Fuchun (Independent Director)

17



## New Board of Directors



### Ordinary Resolution 8: Appointment of Zhao Shousen as a new Director

- Mr Zhou is a senior accountant (professor level) and was appointed Chief Accountant of CAOHC in January 2006.
- Previously he served as director and vice president of Sinopec Shengli Oil Field Co. Ltd and has some 20 years of finance and accounting experience.
- He obtained his bachelor's degree from Shandong Economic Institute and majored in financial accounting. He is currently pursuing his doctorate degree.

18



## New Board of Directors



### Ordinary Resolution 9: Appointment of Yang Chuan as a new Director

- Mr. Yang Chuan currently serves as the General Manager of Southwest China Branch of China Aviation Oil Corporation Ltd (“CAOCL”), a subsidiary of CAOHC.
- Mr Yang Chuan has been with the CAOHC group for the last 12 years and has held a number of management positions.
- He holds a postgraduate degree in economic management from the Institute of Economics, Politics and Law from Southwest Normal University and has an Executive MBA from the National University of Singapore.
- He also holds a senior marketing specialist certificate awarded by the Ministry of Labour of the PRC.

19



## New Board of Directors



### Ordinary Resolution 10: Appointment of Meng Fanqiu as a new Director

- Mr. Meng Fanqiu is currently the Deputy Division Director of the Enterprise Management Division of CAOCL.
- Mr Meng Fanqiu has played an active and senior role in a number of reform programs for China’s civil aviation industry during his 12 year career at the Civil Aviation Administration of China (“CAAC”) before joining the CAOHC Group in 2003.
- He graduated from China University of Political Science and Law and majored in international economic law. He earned his master’s degree from Remin University of China, where he majored in business law, holding the relevant attorney’s qualifications for the PRC.
- Mr Meng was a member of CAO’s Corporate Governance Assessment Committee.

20



## New Board of Directors



### Ordinary Resolution 11: Appointment of Wu Shen Kong as a new Director

- Dr. Wu Shen Kong has been the President of BPS since 2002. He is also concurrently the Country Head for BP companies in Thailand.
- He joined BP in 1971 as a research scientist after graduating with a Ph.D in Physics in Manchester University.
- Dr. Wu is also a Board Member of the Land Transport Authority, Tuas Power Ltd and the British Chamber of Commerce.

21



## New Board of Directors



### Ordinary Resolution 12: Appointment of Ian Springett as a new Director

- Mr. Ian Springett is the Commercial Director for Gas, Power & Renewables and Integrated Supply & Trading of BP plc.
- Since joining BP plc in 1985 from Coopers & Lybrand, London, Mr Springett has held a number of positions in BP, including acting as CFO for its US operations.
- He gained a BA in Economics and Financial Management at Sheffield University. He was admitted to the Institute of Chartered Accountants of England and Wales in 1982 and was made a fellow of the Institute in 1992.

22



## New Board of Directors



### Ordinary Resolution 13: Appointment of Lim Jit Poh as a new Director

- Mr. Lim Jit Poh was appointed non-executive Chairman and Director of ComfortDelGro Corporation Limited in 2003.
- He is also the Chairman of SBS Transit Ltd, VICOM Ltd and Ascott Residence Trust Management Limited as well as director of several other listed companies.
- Mr. Lim is a former top civil servant and a Fulbright scholar and was awarded the Public Administration Medal by the Government of Singapore in 1972.
- Mr Lim previously acted as Chairman of CAO's Corporate Governance Assessment Committee.

23



## New Board of Directors



### Ordinary Resolution 14: Appointment of Lee Suet Fern as a new Director

- Mrs Lee Suet Fern is a practicing advocate and solicitor of the Supreme Court of Singapore and as is Senior Director of Stamford Law Corporation.
- She also serves on the boards of other listed companies.
- She holds a double first in Law from Cambridge University, UK and is a member of the Honourable Society of Gray's Inn.
- Mrs Lee previously acted as a member of CAO's Corporate Governance Assessment Committee.

24



## New Board of Directors



### Ordinary Resolution 15: Appointment of Liu Fuchun as a new Director

- Mr. Liu Fuchun graduated from Beijing Foreign Trade junior College and Beijing Foreign Trade Institute, majoring in accounting and English, respectively.
- He holds the title of senior international commercialist awarded by the Ministry of Commerce of the PRC.
- Between June 1991 and June 2000, Mr. Liu served as Vice President, Managing Director and Deputy CEO of China National Cereals, Oils & Foodstuffs Corp (“COFCO”). Since June 2000, he has been a director and CEO of COFCO.

25



## Operations and governance



- Other CGAC recommendations for implementation, include:
  - Engaging a full-time trained company secretary;
  - Introducing a comprehensive training structure;
  - Introducing procedures relating to the conduct of internal audit and internal audit support;
  - Implementation of suitable procedures for whistle blowing;
  - Carrying out a review of the Risk Management Manual, the Financial Management Manual and the Annual Internal Audit Plan; and
  - Developing and implementing a Fraud Control Plan.

26



## Operations and governance



- Since the agreements were signed on 5 December 2005, in order to support CAO in its rehabilitation and reconstruction, BP has set up joint transition work teams with CAO to focus on the following:
  - Four joint work groups formed: trading, finance, HR and investment;
  - Assist to assess business processes;
  - After assessment, the working groups will provide preliminary thoughts on formulation of regulations and policies (adjust and improve existing ones), restructuring of management structure (including business process), staff (including functions); and
  - Starting to implement G30 recommendations (an international standard for trading companies, which BP has implemented for its own relevant business activities.
- The Company expects to tap on the governance standards and trading expertise of BP to further strengthen its corporate governance and ensure strict compliance in the future.

27



## Operations and governance



### Special Resolution 1: Amendment of Articles of Association

- Conditional upon passing of Ordinary Resolution 5 (Issue and Allotment of shares to BP), the existing Article 77 shall be replaced and Article 77A will be introduced and inserted immediately after proposed new Article 77.
- This new Article 77 stipulates the maximum no. of Directors of the Company as 9 Directors
- Article 77A is in relation to the composition and function of the Nominating Committee

28



## Next Steps

29



## Completion Date

- The Company has requested its creditors to approve an amendment of the long-stop date under the Creditors' Scheme from 8 March 2006 to 31 March 2006.
- On 28 February 2006, the Company announced that the requisite approval from creditors was obtained and the long-stop date under the Creditors' Scheme was amended to 31 March 2006.
- The Company has also announced on 10 February 2006 that the long-stop date under the Investment Agreement and Subscription Agreement has been amended from 28 February 2006 to 31 March 2006.
- Upon receiving the shareholders' approval for the resolutions proposed at the EGM, the Company can proceed to:
  - Apply to and seek approval from the High Court of Singapore;
  - Fulfill all conditions precedent to the Creditors' Scheme;
  - Fulfill all conditions precedent to the equity restructuring; and
  - Declare the Effective Date under the Creditors' Scheme.
- Obtaining the shareholders' approval will be a big step towards fulfilling the conditions imposed by SGX for the lifting of suspension in trading of shares of the Company.

30



## In conclusion

- Shareholders' approval is a crucial step towards implementing the Restructuring Plan.
  
- In view of the Company's present financial condition and difficulties, the Restructuring Plan:
  - Represents a comprehensive and necessary solution to effectively rehabilitate the Company as a going concern;
  - Seeks to:
    - Avoid the receivership, judicial management or liquidation of the Company
    - Resolve the liabilities of the Company in a beneficial manner
    - Allows the Company to continue operations and be a financially viable entity

31



## In conclusion

- The Restructuring Plan will also:
  - Increase CAOHC's cash investment in CAO and strengthen its incentive to improve shareholder's value, to the benefit of all shareholders
  - Introduce BP as a strategic investor, which offers opportunities for the Company to tap on its energy supply and trading and risk management expertise
  - Introduce Temasek as a financial investor, with an extensive global business network, whose involvement may contribute to the future of the Company
  - Is a critical step towards lifting the suspension in trading of shares of the Company:
  - Allows shareholders and creditors to hold shares in a stronger Company with a healthier balance sheet, and possibly the opportunity to liquidate their equity holdings or realise their investments subsequently.

32





## In conclusion

- The Restructuring Plan is in the interests of the Company and shareholders.
- It is highly recommended that shareholders vote in favour of all the resolutions to be proposed at the EGM.
- Upon completion, the Company can look forward to a new beginning, re-list its shares for trading and strive to preserve and grow shareholder value.

33



## Q & A

34

## Voting



**RESOLUTIONS ARE INTERCONDITIONAL,  
IF ANY RESOLUTION IS NOT APPROVED,  
NONE OF THE RESOLUTIONS WILL BE  
EFFECTIVE AND THE RESTRUCTURING  
WILL FAIL.**

Shareholders should note that shareholders' approval of each of the resolutions set out in the following slides to enable the successful implementation of the Restructuring Plan to rehabilitate the Company as a going concern is a critical and necessary step towards satisfying the SGX conditions.

If any of the resolutions set out is not passed, the Company will not be able to implement the Restructuring Plan, including the Creditors' Scheme, and consequently, CAO may be subject to receivership, judicial management liquidation or similar actions by creditors.

35

## Post-Restructuring Plan Business Strategies



- The Company's business model was based on a three pronged strategy, which focused on:
  - Jet fuel procurement;
  - Trading of petroleum products; and
  - Strategic investments in oil related businesses.
- During the restructuring, CAO established a new subsidiary, CAOT, to carry on the jet fuel procurement business on a agency (non-principal) basis.
- The Company intends to continue these following core businesses moving forward:
  - To maintain and expand the jet fuel procurement business. The initial focus is to re-establishing the business on a principal basis;
  - To re-commence oil products trading business (excluding speculative trading activities) in consultation and partnership with BP; and
  - To continue making strategic investments in oil related businesses.

36