



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
 Registration No. 199303293Z
 First Quarter Financial Statement For The Period Ended 31 March 2005

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Jan-Mar 05	Jan-Mar 04	inc/(decr)
	Restated **		
	S\$'000	S\$'000	S\$'000
Revenue	3,079	580,219	(577,140)
Cost of revenue	0	(568,777)	568,777
Gross profit	3,079	11,442	(8,363)
(Loss)/gain on derivatives trading	0	(21,655)	21,655
Other operating income	4,941	404	4,537
Distribution costs	(9)	(182)	173
Administration costs	(74)	(159)	85
Other operating costs	(5,396)	(6,223)	827
Profit from operating activities	2,541	(16,373)	18,914
Finance costs	(457)	(1,232)	775
Share of result of associated company	10,764	11,172	(408)
(Loss)/profit before taxation	12,848	(6,433)	19,281
Tax expenses	(1,615)	(2,768)	1,153
Net (loss)/profit after tax	11,233	(9,201)	20,434
Minority interest	11	0	11
Net (loss)/profit after tax	11,244	(9,201)	20,445

Note 1:

Profit from operating activities is derived after charging the following items:-

Interest on borrowing	0	185	(185)
Depreciation and amortization	231	598	(367)
FX loss/(gain)	(4,037)	(179)	3,858

** the Company has restated the 1Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at end of the immediately preceding financial year.

	<u>Group</u>			<u>Company</u>		
	As at Mar 05 S\$'000	As at Dec 04 S\$'000	incr/(decr) S\$'000	As at Mar 05 S\$'000	As at Dec 04 S\$'000	incr/(decr) S\$'000
Non-current assets						
Property, plant and equipment	15,127	15,232	(105)	10,257	10,470	(213)
Subsidiary companies	0	0	0	8,855	8,673	182
Associated company	109,845	100,732	9,113	60,827	60,827	0
Other investment	112,914	112,914	0	112,914	112,914	0
	<u>237,886</u>	<u>228,878</u>	9,008	<u>192,853</u>	<u>192,884</u>	(31)
Current assets						
Trade receivables	3,615	12,191	(8,576)	491	12,095	(11,604)
Other receivables, deposits and prepayments	2,159	6,886	(4,727)	43	6,392	(6,349)
Amount due from holding company	1,171	1,126	45	927	932	(5)
Amounts due from associated company	28,045	28,187	(142)	28,045	28,187	(142)
Amount due from related companies	211	349	(138)	154	293	(139)
Amounts due from minority shareholders of a subsidiary	0	1,802	(1,802)	0	0	0
Loan receivable	0	1,985	(1,985)	0	0	0
Fixed deposits	0	31	(31)	0	0	0
Cash on hand and at bank	41,132	29,213	11,919	37,684	27,535	10,149
	<u>76,333</u>	<u>81,770</u>	(5,437)	<u>67,344</u>	<u>75,434</u>	(8,090)
Current liabilities						
Interest-bearing loans and borrowings	365,095	368,182	(3,087)	365,095	368,182	(3,087)
Trade payables	334,777	337,024	(2,247)	334,733	336,982	(2,249)
Accrued staff costs	5,440	5,906	(466)	5,418	5,878	(460)
Other payables and accruals	59,239	59,450	(211)	58,672	59,245	(573)
Amount due to holding company	199,106	200,012	(906)	199,106	199,995	(889)
Amount due to subsidiary company	0	0	0	17	17	0
Amount due to minority interest	0	585	(585)	0	0	0
Provision for taxation	2,842	2,918	(76)	2,811	2,882	(71)
	<u>966,499</u>	<u>974,077</u>	(7,578)	<u>965,852</u>	<u>973,181</u>	(7,329)
Net current asset/(liabilities)	<u>(890,166)</u>	<u>(892,307)</u>	2,141	<u>(898,508)</u>	<u>(897,747)</u>	(761)
Net Assets/(Liabilities)	<u>(652,280)</u>	<u>(663,429)</u>	11,149	<u>(705,655)</u>	<u>(704,863)</u>	(792)
Equity						
Share capital	48,384	48,384	0	48,384	48,384	0
Share premium	50,153	50,153	0	50,153	50,153	0
Accumulated profits/(losses)	(751,108)	(762,352)	11,244	(804,192)	(803,400)	(792)
Foreign currency translation reserve	(1,581)	(1,506)	(75)	0	0	0
	<u>(654,152)</u>	<u>(665,321)</u>	11,169	<u>(705,655)</u>	<u>(704,863)</u>	(792)
Minority interest	1,872	1,892	(20)	0	0	0
Equity and Minority Interest	<u>(652,280)</u>	<u>(663,429)</u>	11,149	<u>(705,655)</u>	<u>(704,863)</u>	(792)

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at Mar 05		As at Dec 04	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
0	365,095	0	368,182

Amount repayable after one year

As at Mar 05		As at Dec 04	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
0	0	0	0

Details of any collateral:

Mainly trust receipts including the US\$152 million syndicated loan.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Jan-Mar 05	Jan-Mar 04 Restated **
	S\$'000	S\$'000
Cash flows from operating activities :		
Profit/(loss) before taxation	12,848	(6,433)
Adjustments for:		
Depreciation of property, plant and equipment	231	230
Provision for realisable value of property, plant and equipment	(150)	0
Amortization of goodwill arising on acquisition	0	368
Interest expenses	0	185
Interest income	(14)	(220)
Share of profit of associated company	(10,764)	(11,172)
Operating profit/(loss) before working capital changes	<u>2,151</u>	<u>(17,042)</u>
(Increase)/decrease in inventories	0	4,214
(Increase)/decrease in trade receivables	8,576	139,837
(Increase)/decrease in other receivables, deposits and prepayments	4,727	1,142
(Increase)/decrease in amount due from holding company	(45)	(7)
(Increase)/decrease in amount due from associated company	142	0
(Increase)/decrease in amount due from related companies	138	(337)
(Increase)/decrease in amount due to minority shareholders of a subsidiary company	1,802	0
Increase/(decrease) in amounts due to minority interest	(585)	0
Increase/(decrease) in trade payables	(2,247)	(93,268)
Increase/(decrease) in accrued staff costs	(466)	(1,341)
Increase/(decrease) in other payables and accruals	(211)	(16,739)
Increase/(decrease) in amount due to holding company	(906)	0
Cash used in operations	<u>13,076</u>	<u>16,459</u>
Income tax paid	(76)	(8)
Interest received	14	220
Interest paid	0	(185)
Translation differences	(14)	0
Net cash flows used in operating activities	<u>13,000</u>	<u>16,486</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1)	(91)
Net cash flows from investing activities	(1)	(91)
Cash flows from financing activities		
Increase in loan receivable	1,985	0
Increase/(decrease) in interest-bearing loans and borrowings	(1,677)	1,208
Net cash flows generated from/(used in) financing activities	<u>308</u>	<u>1,208</u>
Net effect of exchange rate changes in consolidating subsidiaries	(9)	0
Net increase/(decrease) in cash and cash equivalents	<u>13,298</u>	<u>17,603</u>
Cash and cash equivalents at beginning of period	4,059	68,753
Cash and cash equivalent at end of period	<u><u>17,357</u></u>	<u><u>86,356</u></u>

** the Company has restated the 1Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Company	
	Jan-Mar 05	Jan-Mar 04 Restated **	Jan-Mar 05	Jan-Mar 04 Restated **
	S\$'000	S\$'000	S\$'000	S\$'000
Share capital				
Balance at beginning of period	48,384	34,560	48,384	34,560
Balance at end of period	48,384	34,560	48,384	34,560
Share premium				
Balance at beginning of period	50,153	63,977	50,153	63,977
Balance at end of period	50,153	63,977	50,153	63,977
Foreign currency translation reserve				
Balance at beginning of period	(1,506)	-	-	-
Movement for the period	(75)	-	-	-
Balance at end of period	(1,581)	-	-	-
Accumulated profits/(losses)				
Balance at beginning of period	(762,352)	102,513	(803,400)	71,815
Profit/(loss) for the period	11,244	(9,201)	(792)	(18,421)
Balance at end of period	(751,108)	93,312	(804,192)	53,394
Dividend reserve				
Balance at beginning of period	-	24,192	-	24,192
Balance at end of period	-	24,192	-	24,192
Total Equity and Reserves	(654,152)	216,041	(705,655)	176,123

** the Company has restated the 1Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's issued share capital for the 3 months ended 31 March 2005

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or

emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2004.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earning per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	As at Mar 05	As at Mar 04 Restated **
Earnings per ordinary share for the period after Deducting any provision for preference dividends:		
(a) Based on weighted average number of ordinary share on issue; and	1.2 cents	(1.0) cents
(b) On a fully diluted basis	1.2 cents	(1.0) cents
(To disclose the basis used in arriving at the weighted average number of shares ('000) for the purposes of (a) above and to provide details of any adjustments made for the purpose of (b) above)	967,680	967,680

** the Company has restated the 1Q 2004 results, adjusting for the unrealised losses (Marked-to-Market) arising from the derivatives options trading as computed and published in the PricewaterhouseCoopers' report on 3 June 2005.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:
- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Group		Company	
	Mar 05	Dec 04	Mar 05	Dec 04
Net asset value per ordinary share based on issued share capital at the end of the period reported on	(67.4) cents	(68.6) cents	(72.9) cents	(72.8) cents
Number of Ordinary Shares issued ('000)	967,680	967,680	967,680	967,680

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The primary source of revenue in 1Q 2005, which is likely to continue throughout the rest of the year 2005, is through commissions earned by CAO's wholly owned subsidiary, CAOT Pte Ltd ("CAOT") for carrying out the business of jet fuel procurement on an agency basis.

CAOT will receive income from the agency commissions to be chargeable on the sale of the jet fuel to the buyers. As such, there will be no incidental expenses such as shipment costs, insurance premiums or demurrage charges with the exception of back-office support staff arising from such agency disposition. This short-term business model is in sharp contrast to the full-scale order fulfillment services as provided by the Company to the end users prior to the current business restructuring exercise.

The Special Task Force, responsible for the Company's current corporate restructuring efforts, recognizes that it is in the interest of the Company to carry on the core business of jet fuel procurement. Hence CAOT was incorporated on 6 December 2004 with this sole purpose to ensure the continuity of the jet fuel procurement business during this corporate restructuring phase.

In 1Q 2004, revenue included contributions from international oil trading, which has ceased activity since end November 2004.

A major component of the other operating income comprised of unrealised foreign exchange translation gains arising from having substantial current liabilities (largely creditors, including bank loans) denominated in US dollars. These outstanding balances, in excess of US\$500 million, which on translation into Singapore dollars as of March 2005 compared to December 2004, resulted in unrealised exchange gains exceeding S\$4million. Between these two intervening Balance Sheet dates, US dollars weakened against the SGD dollars.

Professional fees (approximately S\$3.3 million) relating to legal and financial advisers including the engagement services of special investigative accountant (PricewaterhouseCoopers) for their respective involvements with the corporate restructuring efforts were accounted for in the other operating costs. Other operating costs include staff costs and related IT proprietary systems supporting the jet fuel activities. In 1Q 2004, nearly S\$1.6 million was payment for the arranger/legal fees pertaining to the US\$152 million syndicated loan.

The finance costs comprised mainly of interest charges servicing the US\$152 million syndicated loan and bank overdrafts. The reduced scope of business activities in 1Q 05 compared to the same period in 2004 resulted in the significant reduction of finance charges as observed in this period.

The Company's 33% share of the results of associated company, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong") contributed approximately 84% (nearly S\$11million) to the Group's net profit before tax in 1Q 05 compared to approximately 59% for 1Q 04. About S\$28 million (RMB 142 million) of dividends distribution due to the Company from Pudong, remained outstanding as of 1Q 05. This is currently reflected in the Balance Sheet as amounts due from associated companies.

In 1Q 05, the Minority Interest in the Group's balance sheet represents the 20% stake held by the other joint venture party in the Company's subsidiary, China Aviation Oil Xinyuan Petrochemical Co. Ltd ("CAO Xinyuan"), an oil tanks storage facility located in Guangzhou, China.

- 9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No variance from previous statement

- 10 A commentary at the date of the announcement of the significant trends and competitive conditions of the

industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As at 1Q 2005, the Group and Company were in a net shareholders' deficit position of approximately S\$652 million and S\$705 million respectively.

The Company had announced on 24 May 2005 a proposed Scheme of Arrangement ("the Scheme") with its creditors to restructure its liabilities and to ensure the rehabilitation of the Company as a going concern. Although the Scheme had been approved by the requisite majority of the creditors on 8 June 2005 and sanctioned by the Court on 13 June 2005, it is conditional upon certain conditions being met including approvals required from the various authorities as detailed below:

- a. Ability to seek out new investors who will participate with the Group's immediate holding company – China Aviation Oil Holding Company ("CAOHC") in the fresh equity injection for the purpose of the cash injection as required under the Scheme;
- b. Approval by Shareholders at an extraordinary general meeting to be convened to approve the transactions;
- c. Approval by the People Republic of China ("PRC") State-Owned Assets Supervisory and Administrative Council and other relevant PRC authorities to this Scheme;
- d. Approval in-principle of the SGX-ST for the listing and quotation of the New Shares as part of the equity restructuring exercise to be determined by the Company, CAOHC and the new investors.

The ability of the Group and Company to meet its financial obligations to continue as going concerns depend on the approval of the Scheme by its shareholders and the relevant authorities as well as the Group generating sufficient positive cash flows from its operations following the restructuring exercise.

On 5 December 2005, CAO announced that it had entered into a conditional investment agreement with its holding company, China Aviation Oil Holding Company ("CAOHC") and BP Investments Asia Limited ("BP") in relation to their proposed investment of US\$75.77 million and US\$44 million respectively in the Company ("Investment Agreement") and a conditional subscription agreement with Aranda Investments Pte. Ltd. ("Aranda") (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek")) in relation to its subscription of shares in the Company ("Subscription Agreement") for US\$10.23 million. The total aggregate investment amount raised by CAO pursuant to the above agreements is US\$130 million.

The entry into the Investment Agreement and Subscription Agreement is in connection with the Scheme of Arrangement made with the creditors of the Company under Section 210 of the Companies Act (Cap. 50) ("Act"), which was approved by creditors and sanctioned by the High Court of Singapore on 13 June 2005.

In addition, under the Investment Agreement, 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 new shares in the Company.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on ? No

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year ? No

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.

- 12 If no dividend has been declared/recommended, a statement to that effect.

No dividend has been proposed or declared for this reporting period ended 31 March 2005.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segment revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

Not Applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not Applicable.

15. A breakdown of sales as follows:

Not Applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's most latest full year and its previous full year as follows: (a) ordinary, (b) preference and (c) total.

	Latest Full Year S\$'000	Previous Full Year S\$'000
Ordinary	0	0
Preference	0	0
Total:	0	0

17. Interested Person Transactions

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual

Aggregate value of interested person transactions entered from 1 January 2005 to 31 March 2005.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of interested person transactions conducted under shareholders mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	Jan-Mar 05 S\$'000	Jan-Mar 05 S\$'000
Commission income earned from Parent Group	0	3,077

BY ORDER OF THE BOARD

Adrian Chang
Company Secretary
8 December 2005