



中 国 航 空 油 料 集 团 公 司

China Aviation Oil Holding Company

Presentation of Scheme of Arrangement by China Aviation Oil (Singapore) Corporation Ltd (“CAO”)

China Aviation Oil Holding Company (“CAOHC”) is pleased that after almost 2 months of intensive effort and hard work by the Special Task Force and its professional advisers, CAO has finalized a proposal for a scheme of arrangement (“the Scheme”) between CAO and its creditors and shareholders and has filed the Scheme with the High Court of Singapore on 24 January 2005. While the presentation of the Scheme is only the first step towards the road to the resuscitation of CAO, CAOHC hopes that all interested parties can work together towards achieving this common and mutually beneficial objective.

CAOHC wishes to restate its commitment to and full support of the restructuring of CAO, and will continue to work closely with its advisors as well as the creditors and shareholders of CAO to facilitate its completion and success. To demonstrate its commitment to a successfully restructured CAO, CAOHC, together with other strategic investor, is proposing under the Scheme to inject fresh funds of up to US\$100 million into CAO to help in the restructuring of CAO.

However, as mentioned in our announcement of 14 December 2004, the offer with respect to the injection of new funds is subject to the conditions mentioned in that announcement.

CAOHC also wishes to state that the restructuring of CAO will be driven strictly according to commercial principles. While CAOHC is prepared to support the efforts of CAO to undergo the restructuring, a successful outcome can only be achieved if all parties can accept the compromise offered based on the interests of the various parties, and that CAOHC can itself convince its strategic partner to proceed with the investment. Accordingly, CAOHC hopes that all interested parties can participate in the process in good faith and work together towards this objective.

Alleged back to back arrangements between CAOHC and CAO to take over CAO’s debts and liabilities

In the course of discussions between CAO and its creditors, CAOHC understands that certain creditors have alleged that CAOHC had entered into an agreement with CAO to the effect that CAOHC has agreed to assume all liabilities of CAO with respect to the derivative trades, or that the derivative trades were entered into on behalf of CAOHC.

CAOHC wishes to put on record and categorically state that it has never entered into any agreements or arrangements with CAO to assume the liabilities of CAO's derivative trades or CAO's debts and liabilities as alleged, nor has it ever authorized CAO to enter into the said derivative trades on its behalf.

As the matter is subject to investigations by the relevant investigating authorities CAOHC shall refrain from making further comments on this matter. However, CAOHC considers such allegations, while misconceived and spurious, to be serious matters and will take all possible measures to protect its reputation.

CAOHC Shareholders' Loan

CAOHC noted that there has been some media and other reports that CAOHC has demanded immediate repayment of CAOHC's loan to CAO. Such reports are baseless and untrue. While the loans are technically repayable on demand, CAOHC has not made any demand for its repayment to date. It should further be noted that under the terms of the Scheme, CAOHC has offered, out of goodwill, to convert the shareholders' loan to equity which would effectively allow the creditors a higher recovery of their outstanding liabilities.

US class action

CAOHC understands that CAO have been advised that the US class action suit can be met with a strong jurisdictional challenge against its commencement, as the plaintiffs do not have jurisdiction to bring the class action in the US.

Nonetheless, such an action, which is commenced by out-of-jurisdiction lawyers in pursuit of large contingency fees, can jeopardize the Scheme which CAO hopes to implement for the benefit of all shareholders. CAOHC wishes to reiterate that it will ensure that the interest of all minority shareholders would be sufficiently considered in the shareholding restructuring that follows the Scheme, and accordingly, CAOHC urges all shareholders to participate in and approve the Scheme instead of joining in the class action.

Yours faithfully,

Jia Changbin

President
China Aviation Oil Holding Company
25 January 2005