



MEDIA RELEASE

CAO Unveils Significantly Improved Scheme of Arrangement

(Singapore, 12 May 2005) China Aviation Oil (Singapore) Corporation Ltd (“CAO” or the “Company”) today unveiled a proposed final Scheme of Arrangement (“Scheme”) to its creditors (the “Final Scheme”), which is a significant improvement compared to the previous Scheme that was announced on 24 January 2005 (the “Initial Scheme”).

Following the release of the Initial Scheme, CAO has undertaken a detailed process of meeting and discussions with its creditors to obtain feedback and exchange ideas. CAO believes that the Final Scheme addresses the feedback received and results in a substantially higher recovery rate of US\$275 million which represents an average recovery rate of about 54% for creditors.

The key elements of the Final Scheme in comparison with the Initial Scheme are set out in the table below;

	<u>Initial Scheme</u>	<u>Final Scheme</u>
Initial cash payment US\$m	100	130
Deferred debt US\$m	<u>120</u>	<u>145</u>
Overall recovery value US\$m	<u>220</u>	<u>275</u>
Overall gross recovery %	41	54
Present Value %	36	52
Deferred debt repayment period	8 years	5 years

(The recovery values under the Final Scheme are based on participating creditors of US\$510 million and the Present Value is based on a 5% discount rate and considers Interest payable at an assumed LIBOR rate of 2.8% per annum on the Deferred debt).

In addition to the substantial improvement in the overall recovery value for creditors set out above there are a number of other improvements and enhancements in the Final Scheme and further details of the terms are set out in the subsequent paragraphs.

Terms of Final Scheme

The principal terms of the Final Scheme comprise:

- A cash injection in the aggregate of up to US\$130 million from China Aviation Oil Holding Company (“CAOHC”) and a new investor (the “New Investor”) into the Company by way of fresh equity into the Company on terms to be agreed between CAOHC, the New Investor and the Company.
- The recovery value of US\$275 million comprises two main elements; an initial cash distribution of US\$130 million on the effective date of the Final

Scheme and deferred debt of US\$145 million repayable over a period of 5 years.

- The initial cash distribution of US\$130 million includes an amount of US\$100 million from the new equity and US\$30 million in cash from the existing assets of the Company.
- The Deferred debt of US\$145 million will be repaid over 5 years from the cash flows from the operations, dividends from the Company's investments, the sale of an investment and a refinancing exercise to be conducted on or before the maturity date of five years from the effective date of the Final Scheme ("the Refinancing Exercise"). In respect of the investment sale referred to above, CAO has determined that it will conduct a sale process to divest its 5% interest in Compania Logistica De Hidrocarburos SA ("CLH") and will apply the first US\$60 million of proceeds to the repayment of the Deferred debt.
- Whilst the Deferred debt has increased from US\$120 million to US\$145 million, the repayment period has been reduced from 8 years to 5 years in the Final Scheme. This substantial improvement is as a result of CAO's commitment to sell CLH and undertake the Refinancing Exercise before the maturity of five years. CAO has also agreed to pay interest on the deferred debt at LIBOR rate. CAOHC has demonstrated its commitment and confidence in the repayment of the Deferred debt by undertaking to provide CAO with a guarantee over the repayment of the Deferred debt and agreeing to assist CAO in the refinancing exercise.
- In aggregate under the Final Scheme, creditors will benefit from CAO's plan to repay creditors US\$198 million or 39% of their debts within 12 months from the effective date of the Final Scheme.

- In consideration for the Final Scheme, creditors will agree to the irrevocable waiver, release, discharge and extinguishment of all rights, interests and claims by the creditors in relation to the balance waived debt of the Company.
- It is also envisaged that creditors will be provided with an option to purchase (using their restructured debts) of up to 10% of the equity in the enlarged share capital of CAO on the same terms as the New Investors.
- The Final Scheme provides creditors with two repayment options (Option A and Option B) detailed as follows:

Option A

Option A provides creditors with the option of receiving a single immediate cash payment on the effective date of the Final Scheme, allowing creditors an immediate cash exit. Due to constraints on the cash available under the Final Scheme, a sum of up to US\$45 million of the initial cash distribution of US\$130 million has been set aside for payment of creditors whom choose this option. Creditors electing for Option A will receive a cash settlement at a fixed recovery rate of 45% of their debts ie US\$0.45 to the dollar in full repayment of their debts. The total value of creditors that may participate in Option A is capped at US\$100 million.

In the event that Option A is over-subscribed (ie creditors representing more than US\$100 million of debt choose Option A), creditors will participate in Option A on a pro-rata basis to the value of their debts with any claims in excess of US\$100 million being transferred to Option B. Conversely if Option A is not fully subscribed (ie creditors representing less than US\$100 million of debt choose Option A), there will be a corresponding increase in the value of creditors' debts which participate in

Option B and any unutilized cash arising due to the under-subscription on Option A will be utilised under Option B.

Option B

The balance of the creditors' debts that do not participate in Option A will participate in Option B under which restructuring of the creditors' debts will be restructured and repaid in the amount of US\$230 million (excluding proceeds should Option A be undersubscribed) in two parts:-

1. An initial cash distribution of US\$85 million (excluding proceeds should Option A be undersubscribed) payable on the effective date of the Final Scheme; and
2. The balance of US\$145 million will be converted into Deferred debt repayable over a period of 5 years which will be repaid from the following sources;
 - a. the cash flows from the operations of the Company,
 - b. dividends from the Company's investments,
 - c. the first US\$60 million proceeds from the sale of CAO's 5% share in Compania Logistica De Hidrocarburos SA ("CLH");
 - d. and a refinancing exercise at the maturity of the Deferred debt.
 - e. In addition, CAO will service Interest at LIBOR rate on the Deferred debt.
 - f. CAOHC has undertaken to provide a guarantee over the repayment of the Deferred debt and has agreed to assist CAO in the refinancing exercise at the maturity of the Deferred debt

CAOHC shall be treated like the other unsecured creditors of the Company in the Final Scheme with respect to its shareholder loan of US\$118 million. However, as a gesture of goodwill, the CAOHC shareholder loan will not participate in the cash distribution and the Deferred debt but will be converted into equity in the Company.

The recoveries set out above are based on an assumed debt value of US\$510 million (excluding the shareholder loan), which includes certain debts which are subject to dispute or of a contingent nature. The Company is presently conducting a "Proof of Debt" verification exercise to verify and conclude on the final debts that will participate in the Final Scheme. Any reduction in these debts will result in an improved recovery to creditors participating under the Option B.

It was previously announced that CAOHC had invited Temasek Holdings (Private) Limited to participate in the proposed fresh equity injection and discussions between the CAOHC and Temasek are still continuing. CAOHC and CAO are targeting to conclude these equity restructuring discussions during the course of July 2005.

Madam Gu Yanfei, Head of the Special Task Force appointed by the Board of Directors of CAO said: "Following the publication of the Initial Scheme, the Special Task Force and its advisors have undertaken a comprehensive process of discussions with the creditors, the potential New Investor and other appropriate parties to devise an improved and Final Scheme. The feedback of creditors has been carefully considered and evaluated and we urge creditors to vote for the Final Scheme, which offers a significantly higher recovery value than the Initial Scheme and other additional benefits. "

"CAO intends to call for a meeting of creditors shortly to meet with its obligation under the Order of Court dated 10 December 2004, to call a meeting of the creditors on or before 10 June 2005 for the purpose of voting on the Final

Scheme of Arrangement to preserve the Company as a viable going concern.”
Madam Gu added.

The Company would like to highlight that this Final Scheme is subject to the approval of the creditors, the shareholders of CAO, CAOHC and the relevant authorities, including but not limited to the State-Owned Assets Supervisory and Administrative Commission (“SASAC”) in China and such other relevant regulatory bodies in the various jurisdictions.

In addition, the proposed equity restructuring of the Company’s shares and the proposed fresh equity injection from CAOHC and the New Investor, are also subject to the approval of SASAC, CAOHC, the New Investor, the Singapore Exchange Securities Trading Limited, minority shareholders of the Company and other relevant regulatory bodies in the various jurisdictions.

The Company presently intends to convene the creditors meeting by 10th June 2005, for the creditors to consider and approve, the Final Scheme. The Company will in due course, send the Notice of the Creditors’ Meeting, giving no less than 14 days notice, by post to the creditors and advertise the same in the English and Chinese language newspapers in Singapore. The Company will make further appropriate announcement of the details of the Final Scheme which will be contained in the accompanying documents to the Notice of Creditors’ Meeting to be sent to creditors in due course.

End.

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