



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

Registration No. 199303293Z

First Quarter Financial Statement For The Period Ended 31 March 2006

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			
	1Q 2006	1Q 2005	inc/(decr)
	S\$'000	S\$'000	S\$'000
Revenue	5,413	3,079	2,334
Cost of sales	(195)	-	195
Gross Profit	5,218	3,079	2,139
Other operating income			
- Waiver of debts by creditors (*)	312,355	-	312,355
- Others	19,883	4,591	15,292
Distribution expenses	(55)	(9)	46
Administrative expenses	(1,895)	(1,856)	39
Other operating expenses	(1,847)	(3,264)	(1,417)
Finance costs	(13)	(457)	(444)
Share of results of associate	9,480	9,149	331
Profit before taxation	343,126	11,233	331,893
Income tax expense	(905)	-	905
Profit after taxation	342,221	11,233	330,988
Attributable to:			
Equity holders of the Company	342,248	11,222	331,026
Minority interests	(27)	11	(38)
Profit for the year	342,221	11,233	330,988
Earnings per share (cents)			
Basic and diluted	157.67	5.80	

(*) This relates to waiver of debts by creditors pursuant to the Scheme of Arrangement with the Company's creditors under Section 210 of the Companies Act (Cap. 50) which was approved by creditors and sanctioned by the High Court in June 2005. The Scheme of Arrangement became effective on 28 March 2006.

Note 1:	1Q 2006	1Q 2005	Inc/(decr)
	S\$'000	S\$'000	S\$'000
Profit before taxation is derived at after crediting/(charging) the following items:-			
Depreciation of property, plant and equipment	(261)	(231)	(30)
Exchange gain	11,524	4,037	(7,487)
Fair value adjustment on amount due to scheme creditors	8,133	-	8,133

Note 2:

Exchange gain mainly comprises exchange gains arising from amount due to scheme creditors and immediate and ultimate holding company, partially offset by exchange loss incurred on proceeds on issue of new ordinary shares during the current period.

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.

	Group			Company		
	As at 31 Mar 06 S\$'000	As at 31 Dec 05 S\$'000	incr/(decr) S\$'000	As at 31 Mar 06 S\$'000	As at 31 Dec 05 S\$'000	incr/(decr) S\$'000
Non-current assets						
Property, plant and equipment	14,010	14,395	(385)	9,427	9,635	(208)
Subsidiaries	-	-	-	9,618	9,356	262
Associate	116,096	108,568	7,528	60,827	60,827	-
Other investments	113,588	113,588	-	113,588	113,588	-
	<u>243,694</u>	<u>236,551</u>	7,143	<u>193,460</u>	<u>193,406</u>	54
Current assets						
Inventories	1,268	-	1,268	-	-	-
Trade and other receivables	11,171	68,187	(57,016)	1,987	63,642	(61,655)
Cash and cash equivalents (1)	135,836	47,692	88,144	118,910	30,275	88,635
	<u>148,275</u>	<u>115,879</u>	32,396	<u>120,897</u>	<u>93,917</u>	26,980
Total assets	<u>391,969</u>	<u>352,430</u>	39,539	<u>314,357</u>	<u>287,323</u>	27,034
Equity attributable to equity holders of the Company						
Share capital	371,119	48,384	322,735	371,119	48,384	322,735
Share premium	-	50,153	(50,153)	-	50,153	(50,153)
Currency translation reserve	(1,543)	603	(2,146)	-	-	-
Accumulated losses	(224,139)	(749,547)	(525,408)	(296,484)	(808,899)	(512,415)
	<u>145,437</u>	<u>(650,407)</u>	795,844	<u>74,635</u>	<u>(710,362)</u>	784,997
Minority interests	<u>1,769</u>	<u>1,844</u>	(75)	<u>-</u>	<u>-</u>	-
Total equity	<u>147,206</u>	<u>(648,563)</u>	795,769	<u>74,635</u>	<u>(710,362)</u>	784,997
Non-current liability						
Scheme creditors (2)	<u>108,995</u>	-	108,995	<u>108,995</u>	-	108,995
Current liabilities						
Trade and other payables	13,002	216,574	(203,572)	12,058	216,458	(204,400)
Scheme creditors (2)	116,170	778,728	(662,558)	116,170	778,728	(662,558)
Current tax payable	6,596	5,691	905	2,499	2,499	-
	<u>135,768</u>	<u>1,000,993</u>	(865,225)	<u>130,727</u>	<u>997,685</u>	(866,958)
Total liabilities	<u>244,763</u>	<u>1,000,993</u>	(756,230)	<u>239,722</u>	<u>997,685</u>	(757,963)
Total equity and liabilities	<u>391,969</u>	<u>352,430</u>	39,539	<u>314,357</u>	<u>287,323</u>	27,034

Note

(1) Cash and cash equivalents as at 31 March 2006 includes an amount of approximately S\$18 million placed in an Escrow account. This account was set up to receive the proceeds from issuance of shares by the Company which will be used to make payments to creditors pursuant to the Scheme of Arrangement with creditors.

(2) Following the completion of the restructuring exercise, bank borrowings, including bank overdraft, and trade and other payables for which their repayment have been restructured, are grouped as scheme creditors. Comparatives have been restated to enhance comparability.

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

Amount repayable in one year or less, or on demand

As at 31 Mar 06		As at 31 Dec 05	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
0	116,170	0	376,896

Amount repayable after one year

As at 31 Mar 06		As at 31 Dec 05	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
0	108,995	0	0

Details of any collateral:

Pursuant to the Scheme of Arrangement, the outstanding debts of approximately S\$215 million owing to Creditors (excluding CAO's immediate and ultimate holding company, China Aviation Oil Holding Company "CAOHC") are restructured and will be repayable to creditors over a 5 year period, with interest. The outstanding debts and interest are guaranteed by CAOHC.

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 06	Jan-Mar 05
	S\$'000	S\$'000
Operating activities		
Profit before taxation	343,126	11,233
Adjustments for:		
Interest income	(203)	(14)
Depreciation of property, plant and equipment	261	231
Exchange gain arising from amount due to scheme creditors	(18,196)	-
Exchange gain arising from amount due to immediate and ultimate holding company	(4,835)	-
Impairment loss on property, plant and equipment reversed	-	(150)
Share of results of associate	(9,480)	(9,149)
Fair value adjustment on amount due to scheme creditors	(8,133)	-
Waiver of debts by creditors	(312,355)	-
Operating (loss)/profit before working capital changes	(9,815)	2,151
Changes in working capital:		
Inventories	(1,268)	-
Trade and other receivables	(4,632)	13,538
Trade and other payables	(187)	(2,613)
Cash (used in)/generated from operations	(15,902)	13,076
Income taxes paid	-	(76)
Cash flows from operating activities	(15,902)	13,000
Investing activities		
Interest received	203	14
Dividends received	61,648	-
Purchase of property, plant and equipment	-	(1)
Cash flows from investing activities	61,851	13
Financing activities		
Issue of shares	219,967	-
Proceeds from issue of shares placed in Escrow account for payment to scheme creditors	(18,149)	-
Proceeds from loan receivable	-	1,985
Repayment to scheme creditors	(177,654)	(1,677)
Cash flows from financing activities	24,164	308
Net increase in cash and cash equivalents	70,113	13,321
Cash and cash equivalents at beginning of the period (Note 1)	47,692	4,059
Effect of exchange rate changes on balances held in foreign currencies	(118)	(23)
Cash and cash equivalents at end of the period (Note 2)	117,687	17,357

Note 1 :

Bank overdraft amounting to S\$24,352,805 as at 1 January 2006 has not been offset against cash and cash equivalents as the bank overdraft became part of the amount due to scheme creditors pursuant to the Scheme of Arrangement.

Note 2 :

	Jan-Mar 06	Jan-Mar 05
	S\$'000	S\$'000
Cash and cash equivalents in the balance sheet	135,836	17,357
Less balance in Escrow account	(18,149)	-
Cash and cash equivalents in the statement of cash flows	117,687	17,357

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	Share	Share	Currency	Accumulated	Total	Minority	Total
	capital	premium	translation	losses	attributable	interests	equity
	S\$'000	S\$'000	reserve	S\$'000	holders of	S\$'000	S\$'000
			S\$'000	S\$'000	the Company		
					S\$'000		
At 1 January 2005	48,384	50,153	(1,506)	(762,352)	(665,321)	1,892	(663,429)
Translation differences relating to financial statements of foreign subsidiary and associate	-	-	(75)	-	(75)	(9)	(84)
Net loss recognised directly in equity	-	-	(75)	-	(75)	(9)	(84)
Profit for the period	-	-	-	11,222	11,222	11	11,233
Total recognised income and expense for the period	-	-	(75)	11,222	11,147	2	11,149
At 31 March 2005	48,384	50,153	(1,581)	(751,130)	(654,174)	1,894	(652,280)
At 1 January 2006	48,384	50,153	603	(749,547)	(650,407)	1,844	(648,563)
Translation differences relating to financial statements of foreign subsidiary and associate	-	-	(2,146)	-	(2,146)	(48)	(2,194)
Net loss recognised directly in equity	-	-	(2,146)	-	(2,146)	(48)	(2,194)
Profit/(loss) for the period	-	-	-	342,248	342,248	(27)	342,221
Total recognised income and expense for the period	-	-	(2,146)	342,248	340,102	(75)	340,027
Transfer from share premium to share capital (*)	50,153	(50,153)	-	-	-	-	-
Issue of ordinary shares	272,582	-	-	-	272,582	-	272,582
Waiver of debts by immediate and ultimate holding company pursuant to the restructuring exercise	-	-	-	183,160	183,160	-	183,160
At 31 March 2006	371,119	-	(1,543)	(224,139)	145,437	1,769	147,206

Company	Share	Share	Accumulated	Total
	capital	premium	losses	attributable
	S\$'000	S\$'000	S\$'000	to equity
				holders of
				the Company
				S\$'000
At 1 January 2005	48,384	50,153	(803,400)	(704,863)
Loss for the period	-	-	(792)	(792)
Total recognised expense for the period	-	-	(792)	(792)
At 31 March 2005	48,384	50,153	(804,192)	(705,655)
At 1 January 2006	48,384	50,153	(808,899)	(710,362)
Profit for the period	-	-	329,255	329,255
Total recognised income for the period	-	-	329,255	329,255
Transfer from share premium to share capital (*)	50,153	(50,153)	-	-
Issue of ordinary shares	272,582	-	-	272,582
Waiver of debts by immediate and ultimate holding company pursuant to the restructuring exercise	-	-	183,160	183,160
At 31 March 2006	371,119	-	(296,484)	74,635

(*) Under the Companies (Amendment) Act 2005, effective 30 January 2006, the concepts of par value and authorized share capital are abolished. Hence the amount in the share premium account as at 30 January 2006 is now part of the Company's share capital.

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.

a. Pursuant to the Shareholders' Circular dated 8 February 2006 that was approved at the EGM on 3 March 2006, the number of issued ordinary shares of the Company reduced from 967,679,992 shares to 193,535,998 shares (ie consolidation of every 5 ordinary shares into 1 ordinary share) on 23 March 2006. In addition, 529,284,539 new ordinary shares were issued by the Company on 28 March 2006 pursuant to the Investment Agreement, Subscription Agreement and the Creditors' Share Invitation. The Company's share capital structure pre and post-restructuring are as follows:

PRE AND POST-RESTRUCTURING SHARE CAPITAL STRUCTURE

	Pre-Restructuring		Post-Restructuring	
	No. of Shares	% Shareholding	No. of Shares	% Shareholding
CAOHC	580,608,000	60.00	367,777,427	50.88
BP	-	-	144,564,119	20.00
Aranda	-	-	33,611,158	4.65
Creditors	-	-	72,282,000	10.00
Minority Shareholders	387,071,992	40.00	104,585,833	14.47
Total	967,679,992	100.00	722,820,537	100.00

b. Following the amendments to the Companies Act ("The Companies (Amendment) Act 2005") on 30 January 2006, any amounts standing to the credit of the Company's share premium account shall become part of the Company's share capital. Accordingly, the share premium account has been combined into the share capital account

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

The figures have been 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 as those adopted for the audited consolidated financial statements for the year ended 31 December 2005.

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	
	31 Mar 06	31 Mar 05
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	157.67 cents	5.80 cents
(b) On a fully diluted basis	157.67 cents	5.80 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 purposes of (b) above)	217,060	193,536

There were no dilutive potential ordinary shares for the current and previous periods.

- 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 06	Dec 05	Mar 06	Dec 05
Net asset value per ordinary share based on issued share capital at the end of the period reported on	20.12 cents	(336.07) cents	10.33 cents	(367.04) cents
Number of ordinary shares issued ('000)	722,821	193,536	722,821	193,536

Net asset value per ordinary share is determined based on net asset value attributable to equity holders of the Company and the number of shares in issue of the Company as at 31 March 2006 and 31 December 2005.

- 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.

On 5 December 2005, the Company announced its debt and equity restructuring plan (“Restructuring Plan”) aimed at rehabilitating the Company as a going concern and lifting the suspension of trading of the Company’s shares on the SGX-ST. The Restructuring Plan encompasses, inter alia, implementation of the following :

- (i) waiver of a portion of the total outstanding debts by creditors under the Creditors’ Scheme;
- (ii) the consolidation of every 5 ordinary shares of the Company into 1 ordinary share (“Share”);
- (iii) the issue of new Shares of the Company to :
 - CAOHC, BP Investments Asia Limited (“BP”) and Aranda Investments Pte. Ltd. (“Aranda”) pursuant to the Investment Agreement and Subscription Agreement; and
 - Tranche B Creditors (as defined in the Creditors’ Scheme) who have applied for Shares pursuant to the Company’s invitation to these creditors to subscribe for Shares in the Company; and
- (iv) the waiver of a portion of the total outstanding debts by CAOHC and the conversion of the remaining debts into new ordinary shares of the Company.

The Restructuring Plan, set out in the Company’s Circular dated 8 February 2006, was approved by shareholders at the EGM held on 3 March 2006, and sanctioned by the High Court of Singapore on 21 March 2006. It became effective on 28 March 2006.

Performance review

The current principal activities of the Group are the procurement of jet fuel and investment holding. The primary source of revenue in 1Q 2006, was from commissions earned by CAO's wholly owned subsidiary, CAOT Pte Ltd ("CAOT") which carries out the business of jet fuel procurement on an agency basis.

Group revenue for 1Q 2006 grew by S\$ 2.3 million or 75.8% compared to 1Q 2005. The revenue increase was driven by the demand for jet fuel by the Chinese end users, as approximately 922,000 metric tonnes of jet fuel was supplied in 1Q 2006, some 68.2% higher than the 1Q 2005 supply of 548,000 metric tonnes. The incidental costs of revenue relate to inspection fees associated with jet fuel deliveries at Pudong's berth terminals, in compliance with applicable quality requirements.

Other operating income includes an amount of S\$312 million, which is a one-off item arising from the waiver of debts by the creditors of CAO following the completion of the restructuring exercise.

Under the Restructuring Plan, the immediate and ultimate holding Company, China Aviation Oil Holding Company ("CAOHC"), had waived approximately US\$113.1 million (S\$183.1 million) of the aggregate amount of US\$122.2 million (S\$198.5 million) owing by the Company. This waiver was taken directly to equity.

The increase in other operating income was partly due to a gain of S\$8.1 million recognised by the Group from fair value adjustment in respect of the amount due to scheme creditors in accordance with Financial Reporting Standard 39 ("FRS 39").

The Group's liabilities are primarily denominated in US dollars. As such, the weakening of US dollars against SGD dollars resulted in the recognition of an exchange gain of approximately S\$11.5 million in the current quarter.

Other operating expenses decreased significantly to approximately S\$1.8 million in this quarter compared to S\$3.3 million for the same period in 2005. The reduction was due to lower professional fees payable to legal and financial advisers.

During the current period, the Group's share of the results of its associate, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong"), amounted to S\$9.5 million. This represents an increase of 3.6% over the Group's share of Pudong's results recognised in the comparable period in 2005.

Financial Position and Cash Flows Review

As a result of the completion of the restructuring exercise, the financial position of the Group improved from net liabilities of S\$649 million as at 31 December 2005 to net assets of S\$147 million as at 31 March 2006. Total liabilities of the Group reduced by 75.5% from S\$1 billion as at 31 December 2005 to S\$245 million as at 31 March 2006.

As at 31 March 2006, cash and cash equivalents of the Group increased to S\$117.7 million (excluding S\$18.1 million in an Escrow account which is held on behalf of the Company by the financial adviser pursuant to the Scheme of Arrangement). This was attributable to the receipt of S\$61.6 million of dividends from Pudong that were outstanding as at 31 December 2005 and a cash inflow of S\$220 million representing proceeds from the issuance of new shares. The increase in cash and cash equivalents was partially offset by the distribution to creditors of S\$177.7 million under the Scheme of Arrangement.

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.

Not Applicable.

- 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 set out in the Company's Circular dated 8 February 2006 which had been approved by shareholders at the EGM on 3 March 2006, CAO will be working towards the re-establishment of its jet fuel procurement business on a principal basis in later part of 2006, rather than the current agency basis under CAOT that was put in place during the course of the restructuring exercise.

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 2006.

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 2006 to 31 March 2006.

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)
	S\$'000	S\$'000
Commission income earned from related corporations	0	5,269

BY ORDER OF THE BOARD

Adrian Chang
Company Secretary
15 May 2006