

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199303293Z)

**PROPOSED 2011-2014 COLLABORATION WITH
BP SINGAPORE PTE. LIMITED**

1. INTRODUCTION

The Board of Directors of China Aviation Oil (Singapore) Corporation Ltd (the "**Company**" or "**CAO**") wishes to announce that the Company and BP Singapore Pte. Limited ("**BP Singapore**") have on 12 October 2010 entered into an agreement (the "**2011-2014 Collaboration Agreement**") for a collaboration involving, *inter alia*, (a) the Shared Pool (as defined below) and (b) the Services (as defined below). Further details on BP Singapore, and on the terms and conditions of and the rationale for the entry by the Company into the 2011-2014 Collaboration Agreement are set out below.

2. BP SINGAPORE AND THE 2011-2014 COLLABORATION AGREEMENT

2.1 Information on BP Singapore

BP Singapore is an associate (as defined in the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") of BP Investments Asia Limited ("**BPIA**") and BP p.l.c. ("**BP**", and together with its associates (so defined), the "**BP Group**"), which are the direct and indirect controlling shareholders of the Company holding 20% of the total issued shares in the capital of the Company (including treasury shares). Hence, BP Singapore is an interested person of the Company for the purposes of Chapter 9 of the Listing Manual. Accordingly, the entry into the 2011-2014 Collaboration Agreement by the Company with BP Singapore and the entry into the PRC Term Contract (as defined and contemplated therein) ("**PRC Term Contract**") and the transactions contemplated thereunder constitute interested person transactions of the Company under Chapter 9 of the Listing Manual.

2.2 Information on the 2011-2014 Collaboration Agreement

Under the 2011-2014 Collaboration Agreement, which shall take effect on 1 January 2011 (the "**Effective Date**") and remain in force for a term of four (4) years unless earlier terminated by the mutual agreement of the parties or otherwise in accordance with the 2011-2014 Collaboration Agreement, the Company and BP Singapore agree that, *inter alia*: (a) the Company and BP Singapore shall pool certain specified cargoes of aviation fuel and gasoil to be supplied to the Company and BP Singapore in accordance with the 2011-2014 Collaboration Agreement and term contracts entered into pursuant to the 2011-2014 Collaboration Agreement ("**Term Contracts**", which expression shall include the PRC Term Contract) relating to the supply by BP Singapore as administrator (called "**C8**" in this context) to the Company or to BP Singapore, as the case may be, of aviation fuel and gasoil to certain destinations in the Middle East, Asia Pacific (including certain destinations in the People's Republic of China ("**PRC**") under the PRC Term Contract) and Europe, which pool (the "**Shared Pool**") shall be managed jointly by the Company and BP Singapore and administered by C8, and shall be subject to an arrangement whereby the Company and BP Singapore shall share (subject to the limit stated in the 2011-2014

Collaboration Agreement) the losses and profits generated from trades entered into pursuant to the Term Contracts and Entrepreneurial Trading (as defined therein) transactions ("**Profit-Sharing Arrangement**"); and (b) BP Singapore shall provide to the Company certain services relating to information-sharing on regional and global aviation fuel (and other relevant commonly traded products), marketing, training, risk management and other related services, at no fee (save for services relating to secondment of staff and training which will be provided on terms to be agreed between BP Singapore and the Company) ("**Services**").

Under the 2011-2014 Collaboration Agreement, C8 may procure the aviation fuel for supply under the PRC Term Contract from BP Singapore or the Company or directly from third parties, and shall procure aviation fuel and gasoil for supply under the other Term Contracts only from the Company or its affiliates as nominated by the Company.

The Business Co-operation Agreement dated 5 December 2005 (which was supplemented and amended by a Supplemental Agreement dated 23 January 2008) (together, the "**BCA**") entered into between the Company, BP Singapore and China National Aviation Fuel Group Corporation ("**CNAF**") shall, pursuant to the 2011-2014 Collaboration Agreement, be terminated in its entirety with effect from the Effective Date.

The PRC Term Contract and the purchases of aviation fuel thereunder by the Company are mandated interested person transactions falling under the shareholders' mandate for interested person transactions last renewed at the extraordinary general meeting of the Company on 23 April 2010.

Under the 2011-2014 Collaboration Agreement, the Company and BP Singapore have also agreed, *inter alia*, to cooperate in certain areas such as exploring investment and other opportunities and strategies.

If and when any agreements are entered into by the Company and BP Singapore relating to such new investments and business opportunities, and if required under the rules of the Listing Manual, the Company shall make such announcement accordingly.

3. RATIONALE FOR AND BENEFIT TO CAO

The rationale for entering into the 2011-2014 Collaboration Agreement with BP Singapore, and the benefit to the Company to do so, are as follows:

- (a) It will provide the Group (i.e. the Company and its entities at risk as defined under Chapter 9 of the Listing Manual) with an opportunity to increase its recurrent income through an additional source while minimising its risk exposure as well as a potential avenue for the Group to explore various opportunities for long-term strategic business growth and development with members of the BP Group. This is in line with the Company's long-term goal and the steps taken by it to achieve the same i.e. to cooperate on a long-term basis with the BP Group to strengthen the Company's capability in the international procurement of petroleum products and to ensure the secure supply of such petroleum products to the Company on competitive terms for its onward sale and supply to buyers in the PRC. Under the 2011-2014 Collaboration Agreement, the Company and BP Singapore agree to share (subject to the limit stated in the 2011-2014 Collaboration Agreement) the profits and/or losses from the transactions in respect of the Shared Pool equally. Such a commercial arrangement would (a) enable the Company to extend its oil trading business, (b) provide a platform for both the Company and BP Singapore to build on their respective strengths to grow the base business of the Shared

Pool under the 2011–2014 Collaboration Agreement, and (c) provide the Company with access to global markets.

- (b) the provision of the Services by BP Singapore to the Company under the 2011-2014 Collaboration Agreement will provide the Group with an invaluable resource as the Group will be able to tap on the relevant expertise, industry know-how (such as information-sharing, marketing, training, risk management, secondment of staff and other related services) and business networks of the BP Group or to reap the benefits of efficiencies and economies of scale through the provision of Services by BP Singapore for mutual benefit. In this way, the Company can continue to build on and strengthen its position in the relevant markets. This is also in line with the stated intention under the BCA for BP Singapore to provide the Company with trading expertise and other services to enhance the trading and risk management systems of the Company.

4. INTERESTED PERSON TRANSACTIONS UNDER CHAPTER 9 OF THE SGX LISTING MANUAL

As stated in paragraph 2.1 of this Announcement, BP Singapore is an interested person of CAO and the 2011-2014 Collaboration Agreement and the PRC Term Contract and the transactions contemplated thereunder constitute interested person transactions of the Company for the purposes of Chapter 9 of the Listing Manual.

As required under Rule 917(5) of the Listing Manual, the total value of interested person transactions with the BP Group and the total value of all interested person transactions of the Company and its entities at risk (as defined in the Listing Manual) for the current financial year up to the date of this Announcement, are as follows:

Total value of all transactions with the BP Group : US\$1,419,212,561

Total value of all transactions with all interested persons of the Company : US\$2,780,597,395

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr Timothy Bullock and Mr Chen Liming are both non-independent and non-executive directors of the Company who are also executives of the BP Group. They have abstained from voting on any decisions relating to the 2011-2014 Collaboration Agreement and the PRC Term Contract.

As disclosed in paragraph 2 of this Announcement, BPIA and BP are the direct and indirect controlling shareholders of the Company with a total deemed interest of 20% in the Company (including treasury shares).

Save as disclosed, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the 2011-2014 Collaboration Agreement and the PRC Term Contract.

6. STATEMENT OF THE AUDIT COMMITTEE

The Audit Committee (excluding Mr Timothy Bullock, a nominee Director of BPIA) has reviewed, *inter alia*, the terms and conditions of, and the rationale for and benefits of, the 2011-2014 Collaboration Agreement and the PRC Term Contract and is of the view that the 2011-2014 Collaboration Agreement and the PRC Term Contract are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

7. DOCUMENTS FOR INSPECTION

A copy of the 2011-2014 Collaboration Agreement and the PRC Term Contract are available for inspection at the registered office of the Company at 8 Temasek Boulevard, #31-02, Suntec Tower Three, Singapore 038988 during normal business hours for a period of three (3) months from the date of this Announcement.

By order of the Board

Doreen Nah
Company Secretary
12 October 2010
2010年10月12日