



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

("Company")

(Incorporated in the Republic of Singapore)
Company Registration Number: 199303293Z

ANNOUNCEMENT

INVESTMENT BY CHINA AVIATION OIL HOLDING COMPANY, BP INVESTMENTS ASIA LIMITED AND ARANDA INVESTMENTS PTE. LTD. IN THE COMPANY PURSUANT TO CONDITIONAL AGREEMENTS ENTERED INTO ON 5 DECEMBER 2005

The Directors of the Company are pleased to announce that the Company has today entered into:

- (a) 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 in the Company ("**Investment Agreement**"); and
- (b) 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**").

I. Investment Agreement

Pursuant to the Investment Agreement, and subject to the terms and conditions therein:

- (a) CAOHC will invest US\$75,770,000 (based on a fixed US\$:S\$ exchange rate of 1.6920573 ("**Fixed Exchange Rate**") in the Company for 248,945,984 new shares in the Company ("**CAOHC Investment Shares**"), comprising approximately 34.44% of the Post-Restructuring Plan Share Capital (as defined below), at the effective issue price per share of S\$0.515 ("**Issue Price**").
- (b) BP will invest US\$44,000,000 (based on the Fixed Exchange Rate) in the Company for 144,564,119 new shares in the Company ("**BP Investment Shares**"), comprising approximately 20.00% of the Post-Restructuring Plan Share Capital, at the Issue Price.
- (c) 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 29,881,278 new shares in the Company, comprising approximately 4.13% of the Post-Restructuring Plan Share Capital, at a conversion price equal to the Issue Price ("**CAOHC Conversion Shares**"); and
- (d) pursuant to and in discharge of the settlement between the CAOHC and the Monetary Authority of Singapore in relation to the placement of shares in the Company by CAOHC on 21 October 2004 and as part of the Shareholders' Scheme (as defined below), CAOHC will direct that 27,171,435 CAOHC Conversion Shares (or approximately 90.9% of the CAOHC Conversion Shares, being the shares attributable to the shareholder's loan owing to CAOHC), comprising approximately 3.76% of the Post-Restructuring Plan Share

Capital, be issued and allotted on an *ex-gratia* basis and *pro-rata* to the shareholders of the Company (other than CAOHC and its associates, if any), based on their respective shareholdings in the Company, on a specified record date to be determined.

II. Subscription Agreement

Under the Subscription Agreement, and subject to the terms and conditions therein, Aranda will invest US\$10,230,000 (based on the Fixed Exchange Rate) in the Company for 33,611,158 new shares in the Company ("**Subscription Shares**"), comprising approximately 4.65% of the Post-Restructuring Plan Share Capital, at the Issue Price.

III. Creditors' Scheme

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 ("**Creditors' Scheme**").

Under the Creditors' Scheme, it is contemplated, *inter alia*, that:

- (a) There would be a cash injection of US\$130 million from CAOHC and new strategic investor(s) into the Company, and US\$30 million of the investment will be used for the working capital of the Company and the balance US\$100 million used as part of the upfront cash distribution to creditors under the Creditors' Scheme (excluding CAOHC).
- (b) Creditors under the Creditors' Scheme (other than CAOHC) will receive cash distribution ("**Creditors' Pay-Out**") of:
 - (i) US\$100 million derived from the aforesaid cash injection; and
 - (ii) US\$30 million derived from the existing assets of the Company.
- (c) The balance debt owing to the creditors (excluding CAOHC) after the Creditors' Pay-Out will be restructured, deferred and repaid to them with interest over a 5 year period, which repayment and payment will be guaranteed by CAOHC. The balance amount of debt owing will be waived by the creditors. Certain of BP's affiliates are also creditors under the Creditors' Scheme.
- (d) CAOHC will waive not less than 55% of the outstanding shareholder's loan and outstanding dividend owing to it and convert the remaining amount into shares of the Company.

Shareholders may wish to refer to the Company's announcements of 12 May 2005 and 24 May 2005 for more information on the Creditors' Scheme.

IV. Restructuring Plan

The Creditors' Scheme is a component of the overall debt and equity restructuring plan of the Company ("**Restructuring Plan**"), aimed at rehabilitating the Company as a going concern and lifting the suspension of trading of the Company's shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The proposed Restructuring Plan encompasses, *inter alia*, the implementation of the following:

- (a) Creditors' Scheme.
- (b) Share consolidation of the share capital of the Company so that every 5 ordinary shares of S\$0.05 each are consolidated into 1 ordinary share of S\$0.25 (or in the event that the concept of par value of shares is abolished under Singapore law pursuant to any amendment of the Act, the consolidation of the share capital of the Company so that every 5 ordinary shares are consolidated into 1 ordinary share) ("**Share Consolidation**").
- (c) Issue of the CAOHC Conversion Shares, CAOHC Investment Shares and BP Investment Shares to CAOHC and BP (as the case may be) pursuant to the Investment Agreement.
- (d) Issue of the Subscription Shares to Aranda pursuant to the Subscription Agreement.
- (e) Invitation to creditors (who have opted for Tranche B Debt under the Creditors' Scheme) to subscribe for 72,282,059 shares ("**Creditors' Share Invitation**"), representing approximately 10% of the enlarged share capital of the Company post-Restructuring Plan (assuming the Creditors' Share Invitation is fully taken up and the Restructuring Plan is implemented in its entirety) ("**Post-Restructuring Plan Share Capital**"), at a subscription price equal to the Issue Price. The subscription consideration payable by each applicant creditor shall be set off by the Company against the debt payable to creditors under the Creditors' Scheme. The aggregate subscription consideration to be set-off by the Company, if the Creditors' Share Invitation is fully taken up, is US\$22,000,000 (based on the Fixed Exchange Rate).
- (f) Scheme of arrangement between the Company and its shareholders under Section 210 of the Act ("**Shareholders' Scheme**") whereby it is proposed that:
 - (i) the Company and CAOHC shall each perform such actions, covenants and undertakings as may be required of them under the Investment Agreement for the purpose of satisfying and/or fulfilling the conditions precedent to completion under the Investment Agreement;
 - (ii) the Company and CAOHC shall execute all documents and do all acts and things necessary to implement the Restructuring Plan; and
 - (iii) CAOHC shall direct the Company to issue and allot the shares arising from conversion of the balance shareholder's loan (after waiver) on an *ex-gratia* basis and *pro-rata* to the entitled persons on the terms set out in the Investment Agreement,

and in consideration of the foregoing, such shareholders shall unconditionally and irrevocably waive all claims and potential claims, whether statutory, contractual, tortious or otherwise, and including any right to claim, in Singapore or elsewhere, against the Company, CAOHC and/or their respective directors and officers arising from any prior acts, omissions or events in connection with the circumstances giving rise to the financial conditions and difficulties of the Company.

Under the proposed Shareholders' Scheme, CAOHC will execute an accession deed whereby it will undertake to fulfil its obligations set out in the Shareholders' Scheme, subject to the Shareholders' Scheme being approved by the shareholders and sanctioned by the court.

Post- Restructuring Plan Shareholding Structure

Please refer to Appendix 1 for the Post-Restructuring Plan shareholding structure of the Company.

V. Shareholders' Agreement

Pursuant to the Investment Agreement, CAOHC and BP have today entered into a shareholders' agreement ("**Shareholders' Agreement**") to govern their rights and obligations *vis-à-vis* each other as shareholders of the Company. The Shareholders' Agreement will take effect upon the completion of the Investment Agreement.

Under the Shareholders' Agreement, *inter alia*, the Board of Directors will consist of a maximum of 9 Directors (excluding alternate Directors), comprising 4 Directors nominated by CAOHC, 3 independent Directors, and 2 Directors nominated by BP, who shall serve in non-executive capacity.

In addition, neither party may sell, transfer, pledge, charge or otherwise dispose of any shares, or any legal or beneficial interest therein, without the prior written consent of the other party for a period of 5 years commencing from the completion date, subject to the occurrence of certain events prior to the expiry of such 5 years' period. Parties shall also procure that the Company does not undertake certain reserved matters.

VI. Business Co-operation Agreement

Pursuant to the Investment Agreement, the Company and BP's affiliate, BP Singapore Pte Ltd ("**BPS**"), have also today entered into a conditional business co-operation agreement ("**Business Co-operation Agreement**"), which takes effect on the completion of the Investment Agreement, whereby BPS will provide the Company with trading expertise and second staff to enhance the trading and risk management systems of the Company.

The Business Co-operation Agreement aims to strengthen the Company's capability in international procurement of aviation fuel and to ensure the secure supply of such aviation fuel to the Company on competitive terms for its onward sale and supply to buyers in the PRC. In connection therewith, BPS will advise and assist the Company in its tender process for the procurement of aviation fuel in the international market and also have the pre-emptive right to supply the necessary aviation fuel required by the Company on terms more favourable to the Company than those obtained by the Company in the tender process. BPS will further undertake to supply aviation fuel to meet possible shortfall in supply after the close of each tender on terms to be mutually agreed.

Under the Business Co-operation Agreement, BPS will also make available various training and risk management services where required by the Company.

VII. Memorandum of Understanding

Concurrently with the execution of the Investment Agreement, the Company has entered into a non-binding Memorandum of Understanding with CAOHC and BP in relation to the possible injection of their respective operating assets to be identified and mutually agreed, which may be synergistic and complementary to the Company's business, into the Company with a view to increasing its assets base, earning capacity and prospects, and thereby improving shareholders' value.

Under the Memorandum of Understanding, the parties shall in good faith negotiate and sign a term sheet setting out the key terms (including pricing and form of consideration) to be included in the definitive operating assets injection agreements prior to the extraordinary general meeting of shareholders to approve the Restructuring Plan ("**EGM**"), and to sign such definitive agreements

as soon as reasonably practicable thereafter. The parties will further in good faith endeavour to ensure that completion of the operating assets injection will take place within 6 to 9 months from the completion of the Investment Agreement.

Shareholders should however note that discussions between the Company, CAOHC and BP on such assets injection remain preliminary and exploratory, and there is no certainty that it will take place as contemplated or at all.

VIII. Conditions Precedent

Completion of the issue and allotment of the CAOHC Investment Shares, BP Investment Shares and CAOHC Conversion Shares under the Investment Agreement is conditional upon, *inter alia*, the following conditions precedent being satisfied and/or fulfilled on or prior to completion:

- (a) approval of shareholders at the EGM;
- (b) approval by the State-Owned Assets Supervisory and Administrative Council of the PRC, the State Administration of Foreign Exchange of the PRC, the Ministry of Commerce of the PRC, the State Development Reform Commission of the PRC and other relevant PRC authorities to the transactions contemplated under the Restructuring Plan, and filings with the China Securities Regulatory Commission;
- (c) approval-in-principle of the SGX-ST being obtained for the listing and quotation of the new shares to be issued by the Company pursuant to the Restructuring Plan, and (where applicable) the transactions contemplated thereunder;
- (d) the Creditors' Scheme and Shareholders' Scheme becoming effective;
- (e) the Business Co-operation Agreement, Shareholders' Agreement and Subscription Agreement remaining in full force and effect on the completion date;
- (f) there having been no material change or development in relation to certain matters; and
- (g) the approval of all other relevant regulatory authorities and bodies to the transactions contemplated under the Restructuring Plan.

Completion of the issue and allotment of the Subscription Shares under the Subscription Agreement is conditional upon, *inter alia*, the satisfaction and/or fulfilment of the aforesaid conditions precedent set out in the aforesaid sub-paragraphs (a), (b), (c), (d) and (g) on or prior to completion and the signing of the Shareholders' Agreement by CAOHC and BP, and such agreement remaining in full force and effect on the completion date.

Shareholders should note that completion of the issue and allotment of the CAOHC Investment Shares, BP Investment Shares, CAOHC Conversion Shares and Subscription Shares are inter-conditional. As such, each of CAOHC, BP and Aranda will subscribe for its shares under the Investment Agreement or Subscription Agreement (as the case may be) only if the other parties concurrently subscribe for their shares under these agreements.

IX. Undertaking to Vote

Under the Investment Agreement and Subscription Agreement, CAOHC has undertaken, to the extent that it is not prohibited from doing so, to vote in favour of the resolutions relating to the Restructuring Plan at the EGM and to vote in favour of the Shareholders' Scheme.

X. BP and Aranda as Investors

After the Creditors' Scheme had been sanctioned by the court, the Company commenced a competitive bid process for a suitable strategic investor. Several candidates were considered, out of which BP was selected. In choosing BP, the Company took into account several factors, including the qualitative attributes of BP, and the following:

- (a) BP's reputation as a successful and innovative global energy company with rigorous governance standards. It is the top ranked global company in the 2005 Accountability Rating®, a corporate accountability rating of Fortune global 100® companies, which ranks global companies on stakeholder engagement, governance, business strategy, performance management, non-financial reporting and independent assurance.
- (b) BP is a leading energy supply and trading enterprise which can provide suitable trading expertise, advice on setting up of robust risk management programs and systems to further the capabilities and market confidence in the Company in such areas.
- (c) BP has the capability to ensure security of jet supply into the PRC, and has an established track record in the aviation fuel sector.
- (d) The potential for BP, CAOHC and the Company to work together to identify and implement growth opportunities to support the Company's longer term business objectives and trading partnership.

Temasek was invited, and accepted the Company's invitation, to participate as a financial investor, and is taking up a 4.65% stake through its indirect wholly-owned subsidiary, Aranda. With its extensive global business network, Temasek's involvement may contribute to the future of the Company.

XI. Interests of Directors and Substantial Shareholders

CAOHC is the controlling shareholder of the Company, and is a party to the Investment Agreement and the Subscription Agreement.

Our Directors, namely Jia Changbin, Gu Yanfei, Li Yongji, Chen Kaibin, and Zhang Lianxi are, in view of their association with CAOHC, indirectly interested in the issue of the CAOHC Investment Shares and CAOHC Conversion Shares under the Investment Agreement.

Save as disclosed above, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Investment Agreement, Subscription Agreement or the Restructuring Plan.

XII. Circular to Shareholders

A circular containing further details of the Restructuring Plan and enclosing a notice of the EGM in connection therewith ("**Circular**") will be despatched to shareholders in due course.

XIII. Documents for Inspection

A copy each of the Investment Agreement, Subscription Agreement, Business Co-operation Agreement and Memorandum of Understanding will be made available for inspection upon request by shareholders at the Company's registered office at 8 Temasek Boulevard #31-02

Suntec Tower Three Singapore 038988, during normal business hours, from the date of despatch of the Circular up to and including the date of the EGM (to be announced).

XIV. Directors' Responsibility Statement

The Directors of the Company (including those who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and the opinion (if any) expressed are fair and accurate, and that no material facts have been omitted, and they jointly and severally accept responsibility accordingly.

By Order of the Board of Directors

5 December 2005

Appendix 1

Post-Restructuring Plan Share Capital Structure

| | <u>No. of Shares</u> | <u>% Shareholding</u> ⁽³⁾ |
|------------------------------|----------------------|--------------------------------------|
| CAOHC ⁽¹⁾ | 368,658,971 | 51.00 |
| BP ⁽²⁾ | 144,564,119 | 20.00 |
| Aranda | 33,611,158 | 4.65 |
| Creditors | 72,282,059 | 10.00 |
| Minority shareholders | 103,704,289 | 14.35 |
| Total | 722,820,596 | 100.00 |

Notes:

1. CAOHC's aggregate shareholding interest of 368,658,971 shares in the Company, representing 51.00% of the Post-Restructuring Plan Share Capital, comprises:
 - (a) 117,003,144 shares, representing its existing shares in the Company after the Share Consolidation;
 - (b) 2,709,843 new shares, arising from the conversion of the balance dividend owing to it (after waiver); and
 - (c) 248,945,984 new shares, arising from its cash subscription of US\$75,770,000 (based on the Fixed Exchange Rate).
2. This excludes shares in the Company which BP's affiliates may, as creditors of the Company, subscribe pursuant to the Creditors' Share Invitation.
3. The percentages relating to shareholding interest is based on the assumption that the Creditors' Share Invitation is fully taken up and the Restructuring Plan is implemented in its entirety.