

CIRCULAR DATED 29 MARCH 2010

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular is issued by CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD (the “**Company**”).

If you are in any doubt in relation to this Circular or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or the transferee or to the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

Incorporated in the Republic of Singapore
Company Registration No: 199303293Z

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS;**
- (2) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE; AND**
- (3) THE PROPOSED AMENDMENT TO THE CHINA AVIATION OIL SHARE OPTION SCHEME**

IMPORTANT DATES AND TIMES:

- Last date and time for lodgment of Proxy Form : 21 April 2010 at 3:30 p.m.
- Date and time of Extraordinary General Meeting : 23 April 2010 at 3:30 p.m. (or as soon thereafter following the conclusion or adjournment of the 16th Annual General Meeting of the Company to be held at 3:00 p.m. on the same day and at the same place)
- Place of Extraordinary General Meeting : DBS Auditorium
6 Shenton Way Level 3
DBS Building Tower One
Singapore 068809

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or unless otherwise stated:

Companies

- “Bluesky”** : China National Aviation Fuel South China Bluesky Corporation (华南蓝天航空油料有限公司), a subsidiary of CNAFCL
- “BP”** : BP p.l.c., an indirect controlling shareholder of the Company
- “BP Group”** : BP and its associates (as defined in the Listing Manual) (i.e. any of its subsidiaries, its holding company, any subsidiary of its holding company, and any corporation in which BP and such other company or companies, taken together, have an interest (direct or indirect) in 30% or more of that corporation’s equity capital)
- “BPIA”** : BP Investments Asia Limited, a subsidiary of BP and a controlling shareholder of the Company
- “BPS”** : BP Singapore Pte. Limited, a subsidiary of BP
- “CAO” or “Company”** : China Aviation Oil (Singapore) Corporation Ltd
- “CAO Group” or “Group”** : The Company and its unlisted subsidiaries (i.e. those which are not listed on the SGX-ST or an approved exchange) (as at the Latest Practicable Date, the Company only has one subsidiary, CAOT Pte. Ltd.), and the unlisted (as defined herein) associated companies of the Company over which the Company and its subsidiaries, or the Company and its subsidiaries and its interested persons, have control
- “CNAF”** : China National Aviation Fuel Group Corporation (中国航空油料集团公司), formerly known as China National Aviation Fuel Holding Company, the holding company of the Company
- “CNAFCL”** : China National Aviation Fuel Corporation Ltd (中国航空油料有限责任公司), a subsidiary of CNAF
- “CNAF Group”** : CNAF and its associates (as defined in the Listing Manual) (i.e. any of its subsidiaries, its holding company, any subsidiary of its holding company and any corporation in which CNAF and such other company or companies, taken together, have an interest (direct or indirect) in 30% or more of that corporation’s equity capital)
- “CNAF Logistics”** : China National Aviation Fuel Logistics Co., Ltd (中国航油集团物流有限公司), a subsidiary of CNAF
- “LandOil”** : China National Aviation Fuel Petroleum Co., Ltd (中国航油集团石油有限公司), a subsidiary of CNAF
- “SPIA”** : Shanghai Pudong International Airport Aviation Fuel Supply Co., Ltd (上海浦东国际机场航空油料有限责任公司), a 33%-owned associated company of the Company

“TSN-PEK” : China National Aviation Fuel TSN-PEK Pipeline Transportation Centre (中航油津京管道运输中心)

“TSN-PEKCL” : China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd (中国航油集团津京管道运输有限责任公司), the successor-in-title to TSN-PEK, a 49% owned associated company of the Company

General

“AGM” : The forthcoming 16th annual general meeting of the Company, notice of which is set out on pages 34 to 36 of the Summary Report 2009

“Amendment” : Has the meaning ascribed to it in paragraph 4.2 of this Circular

“Audit Committee” : The audit committee of the Company, comprising Independent Directors, Mr Ang Swee Tian, Dr Wang Kai Yuen and Mr Liu Fuchun, and Non-Executive, Non-Independent Directors, Dr Zhao Shousen and Mr Timothy Bullock, as at the date of this Circular

“BCA” : Has the meaning ascribed to it in paragraph 3.2 of Annex II to this Circular

“Board” : The board of directors of the Company

“CDP” : The Central Depository (Pte) Limited

“CFR” : The acronym for the Incoterm “Cost and Freight” which indicates that the seller/exporter/manufacturer clears the goods for export and is responsible for the costs for transport of the goods to the port of destination. The buyer bears the risk of loss of the goods once the goods pass the ship’s rail at the port of shipment (and not destination)

“CNAF Nominees” : Has the meaning ascribed to it in paragraph 6.2 of this Circular

“Code” : The Singapore Code on Take-overs and Mergers

“Companies Act” : The Companies Act, Chapter 50 of Singapore

“Control” : The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company

“Controlling Shareholder” : In relation to a listed company, a person who

- (a) holds directly or indirectly 15% or more of the total number of issued shares in the Company excluding treasury shares. The SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder; or
- (b) in fact exercises Control over the Company

“Derivative Financial Instruments” : Derivative financial instruments including all futures and swaps products available in the oil and freight markets

“Director” : A director of the Company as at the date of this Circular

“EGM”	:	The Extraordinary General Meeting of the Company to be convened on Friday, 23 April 2010, notice of which is set out on pages 45 to 47 of this Circular
“Employee”	:	A confirmed full-time employee of the Group
“EPS”	:	Earnings per Share
“Executive Director”	:	A Director who is an Employee and performs an executive function
“FOB”	:	The acronym for the Incoterm “Free on Board”, which indicates that delivery is effected by the seller when the goods pass the ship’s rail at the named port of shipment. Accordingly, the seller clears the goods for export, and all costs and risks of loss of or damage to the goods from that port are borne by the buyer
“FY”	:	Financial year ended or ending on 31 December
“Income Tax Act”	:	The Income Tax Act, Chapter 134 of Singapore
“Incoterms”	:	The International Commercial Terms as developed and issued by the International Chamber of Commerce, and “Incoterm” means any one of such terms
“Independent Directors”	:	The Directors who are considered independent for the purpose of making a recommendation to Shareholders on the renewal of the IPT Mandate, namely, Dr Wang Kai Yuen, Mr Liu Fuchun and Mr Ang Swee Tian
“Interested Person Transactions”	:	Transactions proposed to be entered into between the Group and the Interested Persons
“Interested Persons”	:	The CNAF Group and the BP Group, and “Interested Person” means any one of them
“Interim Trading Agreement”	:	Interim Trading Agreement signed on 4 December 2008 between the Company and BPS which commenced on 1 January 2009 for a period of one (1) year (or such further period as may be mutually agreed), as amended and extended by the mutual agreement of the Company and BPS on 21 December 2009 for a further period of one (1) year on substantially the same terms, the Company having reviewed the renewal and extension of the Interim Trading Agreement and the terms thereof in accordance with the Shareholders’ general mandate pursuant to Chapter 9 of the Listing Manual as set out in the Company’s circular to Shareholders dated 9 April 2009
“IPO”	:	Has the meaning ascribed to it in paragraph 4.1 of this Circular
“IPT Mandate”	:	Shareholders’ general mandate pursuant to Chapter 9 of the Listing Manual, as set out in this Circular, permitting the Company, its subsidiaries and associated companies who are considered to be “entities at risk” under Chapter 9 of the Listing Manual or any of them, to enter into Interested Person Transactions with the Interested Persons

“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 15 March 2010
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
“Listing Rules”	:	The listing rules of the SGX-ST set out in the Listing Manual
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Maximum Price”	:	Has the meaning ascribed to it in paragraph 3.3.4 of this Circular
“MOPS”	:	Has the meaning ascribed to it in paragraph 3.1.1 of Annex II to this Circular
“NAV”	:	Net asset value
“Non-Executive Director”	:	A Director (including an Independent Director) who is not an Executive Director
“NTA”	:	Net tangible assets
“Off-Market Purchases”	:	Has the meaning ascribed to it in paragraph 3.3.3 of this Circular
“On-Market Purchases”	:	Has the meaning ascribed to it in paragraph 3.3.3 of this Circular
“OTC”	:	Has the meaning ascribed to it in paragraph 3.2.3 of Annex II to this Circular
“Parent Group Limit”	:	Has the meaning ascribed to it in paragraph 4.3 of this Circular
“Petroleum Products”	:	Petroleum products including but not limited to aviation fuel, gasoil, fuel oil, crude oil and other petrochemicals
“Pipeline Services Contract”	:	The pipeline services contract dated 7 May 2008 entered into between TSN-PEKCL (as TSN-PEK’s successor-in-title) and CNAFCL, and approved by the Shareholders on 9 January 2009
“PRC”	:	The People’s Republic of China
“Relevant Period”	:	The period commencing from the date on which the last annual general meeting was held and expiring on the date the next annual general meeting is held or is required by law to be held, whichever is the earlier, after the date the resolution relating to the Share Purchase Mandate is passed
“Review Procedures”	:	Has the meaning ascribed to it in paragraph 2.2(a) of this Circular
“ROE”	:	Has the meaning ascribed to it in paragraph 3.2(a) of this Circular
“Risk Management Committee”	:	The risk management committee of the Company, comprising the Non-Executive Directors, namely Mr Timothy Bullock (non-independent BPIA nominee Director), Dr Zhao Shousen (non-independent CNAF nominee Director) and Mr Ang Swee Tian (Independent Director) as at the date of this Circular, set up for the purposes of assisting the Board in fulfilling its oversight and approval responsibilities relating to its risk management framework and policies, as well as market, credit, operational, compliance and all other risk concerns

“Scheme”	:	The China Aviation Oil Share Option Scheme
“Securities Account”	:	A securities account maintained by a depositor with CDP but not including a securities sub-account
“Senior Executives”	:	The senior executives of the CAO Group who, for the purposes of undertaking the review procedures described in paragraph 6 of Annex II to this Circular (Review Procedures for Interested Person Transactions), are the chief executive officer, chief financial officer, head of finance, head of trading and head of risk management as at the date of this Circular, or such other senior management personnel tasked to undertake the functions of the foregoing senior management positions from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of Shares, except that where the registered holder is CDP, the term “ Shareholders ” shall, in relation to those Shares, mean the depositors whose securities accounts are credited with Shares
“Share Purchase Mandate”	:	Shareholders’ mandate to authorise the Directors to make purchases of ordinary shares in the capital of the Company in accordance with the terms set out in this Circular as well as the rules and regulations set forth in the Companies Act and the Listing Manual
“Shares”	:	Ordinary shares in the capital of the Company
“SPIA Supply Agreement”	:	The supply agreement entered into by the Company and SPIA dated 20 March 2008, as extended by the mutual agreement of the Company and SPIA for a further period of two (2) years expiring on 19 March 2012, relating to the terms of supply arrangements between the Company and SPIA, as referred to in paragraph 3.1.1 of Annex II to this Circular
“Substantial Shareholder”	:	A substantial shareholder of the Company as defined under section 81 of the Companies Act
“Summary Report 2009”	:	Summary Report of the Company for FY2009
“Supply Agreements”	:	Supply Agreements entered into by the Company and each of CNAFCL and Bluesky dated 13 March 2008 relating to the terms of supply arrangements between the Company and each of CNAFCL and Bluesky, each of which will expire on 6 August 2010 but both of which have been extended by the mutual agreement of the Company and each of CNAFCL and Bluesky for a further period of two (2) years expiring on 5 August 2012 and 31 March 2012 respectively, the Company having reviewed the renewal and extension of the Supply Agreements and the terms thereof in accordance with the Shareholders’ general mandate pursuant to Chapter 9 of the Listing Manual as set out in the Company’s circular to Shareholders dated 9 April 2009
“%” or “per cent.”	:	Per centum or percentage
“S\$” and “cents”	:	Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore

“US\$” and “US cents” : U.S. dollars and cents, respectively, the lawful currency of the United States of America

The terms **“depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in section 130A of the Companies Act.

The terms **“associate”**, **“associated company”**, **“entity at risk”**, **“interested person”**, **“chief executive officer”** and **“approved exchange”** shall have the meanings ascribed to them respectively in the Listing Manual.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing any one gender shall, where applicable, include the other genders where applicable. References to persons shall, where applicable, include corporations.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Companies Act or the Listing Manual and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act or the Listing Manual, as the case may be, unless otherwise provided. Summaries of the provisions of any laws and regulations (including the Listing Manual) contained in this Circular are of such laws and regulations (including the Listing Manual) as at the Latest Practicable Date.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

Unless otherwise stated, the following closing exchange rate as at the Latest Practicable Date has been used in this Circular:

S\$1 : US\$0.714

The exchange rate as set out above is used for illustration purpose only and should not be construed as a representation that the relevant amounts have been or could be converted at the rate above or at any other rate.

LETTER TO SHAREHOLDERS

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

Incorporated in the Republic of Singapore
Company Registration No: 199303293Z

Board of Directors:

Wang Kai Yuen (Chairman – Non-Executive, Independent)
Sun Li (Deputy Chairman – Non-Executive, Non-Independent)
Meng Fanqiu (Chief Executive Officer/Executive Director)
Ang Swee Tian (Non-Executive, Independent)
Timothy Bullock (Non-Executive, Non-Independent)
Chen Liming (Non-Executive, Non-Independent)
Liu Fuchun (Non-Executive, Independent)
Luo Qun (Non-Executive, Non-Independent)
Zhao Shousen (Non-Executive, Non-Independent)

Registered Office:

8 Temasek Boulevard
#31-02 Suntec Tower Three
Singapore 038988

29 March 2010

To: The Shareholders of China Aviation Oil (Singapore) Corporation Ltd

Dear Sir/Madam

- (1) **THE PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS;**
- (2) **THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE; AND**
- (3) **THE PROPOSED AMENDMENT TO THE CHINA AVIATION OIL SHARE OPTION SCHEME.**

1. INTRODUCTION

The purpose of this Circular is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the forthcoming EGM for:

- (a) the renewal of the IPT Mandate;
- (b) the renewal of the Share Purchase Mandate; and
- (c) the amendment to the Scheme,

as further explained in paragraphs 2, 3 and 4 respectively below.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made or opinions expressed in this Circular.

2. RENEWAL OF THE IPT MANDATE

2.1 Background

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The IPT Mandate was previously approved and adopted at the extraordinary general meeting of the Company held on 29 April 2009 and will continue to be in force until the conclusion of the AGM. Accordingly, it is proposed that the IPT Mandate be renewed at the EGM, to take effect until the conclusion of the 17th annual general meeting of the Company or the date on which the next annual general meeting of the Company is required to be held, whichever is the earlier.

General information relating to Chapter 9 of the Listing Manual is set out in **Annex I** to this Circular.

The proposed renewal of the IPT Mandate will authorise the Company, its subsidiaries and associated companies that are considered to be “entities at risk” within the meaning of Chapter 9 of the Listing Manual, to enter in the ordinary course of business into any of the mandated transactions with specified classes of the Company’s interested persons, provided that such transactions are made on normal commercial terms and are not prejudicial to the Company and its minority Shareholders, and are entered into in accordance with the review procedures for such transactions.

The rationale of the IPT Mandate, the classes of Interested Persons, the categories of Interested Person Transactions, the benefits of the IPT Mandate to the Group and the review procedures for Interested Person Transactions in respect of which the IPT Mandate is sought remain unchanged and are set out in **Annex II** to this Circular.

2.2 Statement of the Audit Committee

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee confirms that:

- (a) the review procedures for determining the transaction prices of the Interested Person Transactions set out in **Annex II** to this Circular (the “**Review Procedures**”) have not changed since Shareholders approved the IPT Mandate at the extraordinary general meeting of the Company held on 29 April 2009; and
- (b) the Review Procedures are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The Non-Executive Directors on the Audit Committee who are not independent, being Dr Zhao Shousen and Mr Timothy Bullock, have abstained from the Audit Committee’s review and determination given that they are nominees of CNAF and BPIA respectively.

2.3 Validity Period of the IPT Mandate

If approved by Shareholders at the EGM, the IPT Mandate will take effect from the date of the passing of the resolution, to be proposed at the EGM, to renew the IPT Mandate and shall apply in respect of Interested Person Transactions entered or to be entered into from the date of the EGM until the next annual general meeting of the Company or the date on which the next annual general meeting of the Company is required to be held, whichever is the earlier, unless revoked or varied by the Company in a general meeting.

2.4 Disclosure

Pursuant to Chapter 9 of the Listing Manual, the Company will disclose in its annual report the aggregate value of the Interested Person Transactions entered into under the IPT Mandate during the financial year under review, and in the annual reports of subsequent financial years during which the IPT Mandate is in force. In addition, the Company will announce the aggregate value of the Interested Person Transactions entered into pursuant to the IPT Mandate for the financial periods which it is required to report pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

3. RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 Background

It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. In this regard, the Share Purchase Mandate was approved by Shareholders at the extraordinary general meeting of the Company held on 18 September 2009 to authorise the Directors to make purchases of Shares on the terms of the Share Purchase Mandate. This approval conferred on the Directors will, unless renewed, expire on the date of the AGM.

The Company proposes to renew the mandate for the Company to make market and off-market buy-backs of Shares from time to time of up to ten per cent. (10%) of the total number of issued Shares excluding treasury shares as at the date of the EGM in accordance with the terms set out below.

3.2 Rationale for the Share Purchase Mandate

The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (a) in managing its business, the Group always strives to increase Shareholder value by improving, *inter alia*, the return on equity of the Group (“ROE”) and a Share purchase is one way by which ROE may be enhanced;
- (b) the Share Purchase Mandate will give the Company an easy mechanism to facilitate the return of surplus cash in excess of its requirements taking into account its growth and expansion plans, in an expedient and cost-efficient manner;
- (c) the Share Purchase Mandate will provide the Company the flexibility to adjust the Company’s share capital structure and may, subject to market conditions and funding arrangements at the time, lead to an enhancement of the EPS and/or NTA per Share; and
- (d) the use of treasury shares for the purposes of the Company’s employee share-based incentive schemes in lieu of issuing new Shares would mitigate the dilution impact (if any) on existing Shareholders which may arise from the operation of such schemes.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said ten per cent. (10%) limit during the period referred to in paragraph 3.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full ten per cent. (10%) limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate will be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

3.3 Details of the Share Purchase Mandate

The authority and limitations placed on purchases of Shares by the Company under the Share Purchase Mandate, if renewed at the EGM, are the same as previously approved by Shareholders and are summarised below:

3.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased by the Company. The total number of Shares that may be purchased is limited to that number of Shares representing not more than ten per cent. (10%) of the total number of issued Shares as at the date of the EGM, unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the Relevant Period, made an order under Section 78I confirming the reduction of share capital of the Company, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the special resolution of the Company or the order of the court, as the case may be. Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent. (10%) limit.

Purely for illustrative purposes, on the basis of 719,160,537 Shares in issue as at the Latest Practicable Date (excluding treasury shares) and assuming that no further Shares are issued or repurchased and held as treasury shares on or prior to the date of the EGM, not more than 71,916,053 Shares (representing ten per cent. (10%) of the total number of issued Shares excluding treasury shares as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

3.3.2 Duration of Authority

Unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the EGM and expiring on the earlier of:

- (a) the date on which the next annual general meeting is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting; or
- (c) the date on which purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

The Share Purchase Mandate may be renewed at each annual general meeting or other general meeting of the Company. When seeking the approval of Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the Share Purchase Mandate made during the previous twelve (12) months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

3.3.3 Manner of Purchase

Purchases of Shares may be made on the SGX-ST ("**On-Market Purchases**") and/or otherwise than on the SGX-ST, in accordance with an equal access scheme ("**Off-Market Purchases**").

On-Market Purchases refer to purchases of Shares by the Company transacted through the SGX-ST's Central Limit Order Book trading system through one or more duly licensed stockbrokers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are consistent with the Share Purchase Mandate, the Listing Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an Off-Market Purchase must satisfy all the following conditions:

- (a) offers for the purchase or acquisition of issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers shall be the same, except that there shall be disregarded:
 - (i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (ii) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
 - (iii) differences in the offers introduced solely to ensure that each Shareholder is left with a whole number of Shares.

In addition, pursuant to the Listing Rules, in making an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase or acquisition of Shares;
- (d) the consequences, if any, of purchases or acquisitions of Shares by the Company that will arise under the Code or other applicable take-over rules;
- (e) whether the share purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (f) details of any share purchases or acquisitions of Shares made by the Company in the previous twelve (12) months (whether On-Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.

3.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Purchase

Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of an On-Market Purchase, five per cent. (5%) above the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded, before the day on which the On-Market Purchase was made by the Company, which is deemed to be adjusted in accordance with the Listing Rules for any corporate action that occurs after the relevant period of five (5) Market Days; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, ten per cent. (10%) above the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded, before the day on which the Company makes an announcement of an offer under the Off-Market Purchase scheme,

in either case, excluding related expenses of the purchase or acquisition (the “**Maximum Price**”).

For the purposes of the above:

“**day on which the Company makes an announcement of an offer**” means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from the Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.3.5 Status of Purchased Shares

Any Share which is purchased or acquired by the Company is treated as cancelled immediately on purchase or acquisition (and all rights and privileges attached to that Share will expire on cancellation) unless such Share is held by the Company as a treasury share. All cancelled Shares will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. Prior Board approval will be sought should any Share purchased pursuant to the Share Purchase Mandate be not held in treasury.

3.3.6 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the key provisions on treasury shares under the Companies Act are as follows:

- (a) **Maximum Holdings** — The number of Shares held as treasury shares cannot at any time exceed ten per cent. (10%) of the total number of issued Shares;
- (b) **Voting and Other Rights** — The Company shall be registered as a member in respect of the treasury shares but shall not have the right to attend or vote at meetings and/or to receive any dividends in respect of the treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before, as the case may be; and

- (c) Disposal and Cancellation — The Company may dispose of treasury shares at any time in the following ways:
 - (i) sell the treasury shares for cash;
 - (ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
 - (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
 - (iv) cancel the treasury shares; or
 - (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

3.3.7 Source of Funds

The Company may only apply funds for the purchase or acquisition of Shares in accordance with the Articles of Association of the Company and the applicable laws and regulations in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Company may purchase or acquire its own Shares out of capital, as well as from its distributable profits, provided that:

- (a) the Company is able to pay its debts in full at the time it purchases or acquires the Shares and will be able to pay its debts as they fall due in the normal course of business in the twelve (12) months immediately following the purchase; and
- (b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities), having regard to the most recent financial statements of the Company and all other circumstances that the Directors or management of the Company know or ought to know affect or may affect the value of the Company's assets or estimates of liabilities that are reasonable in the circumstances.

The Company intends to use its internal sources of funds and/or obtain or incur external borrowings to finance purchases or acquisitions of its Shares. The Directors do not propose to exercise the Share Purchase Mandate or rely on external borrowings to finance purchases or acquisitions of its Shares to such an extent that it would materially affect the financial position, working capital requirements or investment ability of the Group.

3.3.8 Financial Effects

The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate would depend on factors such as, *inter alia*, whether the Shares are purchased or acquired out of capital and/or profits, the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions.

Where the purchase of Shares is made out of distributable profits, such purchase (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the Company chooses not to hold the purchased Shares in treasury, such Shares shall be cancelled. The Company shall:

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled. Where the purchased Shares are held in treasury, the total number of issued Shares will remain unchanged.

As at the Latest Practicable Date, the issued and paid-up share capital of the Company comprises 722,820,537 Shares (out of which 3,660,000 Shares were held in treasury). The exercise in full of the Share Purchase Mandate would result in the purchase of 71,916,053 Shares.

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the NTA and EPS as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase price paid for such Shares and the amount borrowed (if any) by the Company to fund the purchase or acquisition of the Shares and whether the Shares purchased or acquired are cancelled or held as treasury shares.

For illustration purposes only and based on the assumptions set out below:

- (a) in the case of On-Market Purchases by the Company and assuming that the Company purchases or acquires 71,916,053 Shares, the maximum amount of funds required for the purchase (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) assuming a Maximum Price of S\$1.23 which is five per cent. (5%) above the average of the closing market prices of the Shares for the five (5) Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date, is approximately S\$88,456,745;
- (b) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 71,916,053 Shares, the maximum amount of funds required for the purchase (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) assuming a Maximum Price of S\$1.28 which is ten per cent. (10%) above the average closing market prices of the Shares for the last five (5) Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date, is approximately S\$92,052,548; and
- (c) the consideration for the purchase or acquisition of the Shares is funded equally by internal funds and borrowings after allowing for working capital, and interest payable on additional borrowings is at the rate of 2.84% per annum before adjusting for tax, and based on the audited financial statements of the Group for FY2009, the effects of:
 - (i) the purchase or acquisition of 71,916,053 Shares by the Company in an On-Market Purchase or Off-Market Purchase and held as treasury shares; and

- (ii) the purchase or acquisition of 71,916,053 Shares by the Company in an On-Market Purchase or Off-Market Purchase and cancelled,

on the financial position of Company and the Group are as follows:

(A) On-Market or Off-Market Purchase of 71,916,053 Shares and held as treasury shares

As at 31 December 2009	Company			Group		
	Before Share Purchase US\$'000	After On-Market Purchase US\$'000	After Off-Market Purchase US\$'000	Before Share Purchase US\$'000	After On-Market Purchase US\$'000	After Off-Market Purchase US\$'000
Share capital	215,573	215,573	215,573	215,573	215,573	215,573
Reserves	25,175	25,175	25,175	94,883	94,883	94,883
	240,748	240,748	240,748	310,456	310,456	310,456
Treasury shares	(721)	(63,879)	(66,447)	(721)	(63,879)	(66,447)
Shareholders' funds	240,027	176,869	174,301	309,735	246,577	244,009
NTA⁽¹⁾	239,927	176,769	174,201	309,635	246,477	243,909
Current Assets	599,617	568,038	566,754	599,631	568,052	566,768
Current Liabilities	448,987	480,566	481,850	448,991	480,570	481,854
Working Capital	150,630	87,472	84,904	150,640	87,482	84,914
Total Borrowings	–	31,579	32,863	–	31,579	32,863
Number of Shares ('000) ⁽²⁾	722,821	722,821	722,821	722,821	722,821	722,821
Number of Shares less treasury shares ('000)	721,900	649,984	649,984	721,900	649,984	649,984
Financial Ratios						
NTA per Share (US cents) ⁽³⁾	33.24	27.20	26.80	42.89	37.92	37.53
Annualised Return on equity (%)	8.76	11.89	12.07	14.59	18.33	18.52
Basic EPS (US cents) ⁽⁴⁾	2.91	3.24	3.24	6.26	6.95	6.95
Gearing ratio (times) ⁽⁵⁾	NA	0.18	0.19	NA	0.13	0.13
Current ratio (times) ⁽⁶⁾	1.34	1.18	1.18	1.34	1.18	1.18

Notes:-

- (1) NTA refers to net assets less goodwill on consolidation and intangible assets.
- (2) Includes 71,916,053 Shares held in treasury and is computed based on 719,160,537 Shares as at 15 March 2010.
- (3) NTA per Share is based on 649,983,484 Shares which has excluded 71,916,053 Shares held in treasury.
- (4) EPS is based on 649,983,484 Shares, the weighted average number of Shares, which has excluded 71,916,053 held in treasury.
- (5) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (6) Current ratio equals current assets divided by current liabilities.

As illustrated above, the purchase of Shares made out of the capital of the Company and held as treasury shares would have the effect of reducing the working capital and NTA of the Company and the Group. The consolidated NTA per Share of the Group as at 31 December 2009 would decrease from 42.89 US cents to 37.92 US cents in the case of an On-Market Purchase and from 42.89 US cents to 37.53 US cents in the case of an Off-Market Purchase. No adjustment was made to take into account the reduction in dividend paid out during the year from the purchase of Shares.

(B) On-Market or Off-Market Purchase of 71,916,053 Shares and Cancelled

As at 31 December 2009	Company			Group		
	Before Share Purchase US\$'000	After On-Market Purchase US\$'000	After Off-Market Purchase US\$'000	Before Share Purchase US\$'000	After On-Market Purchase US\$'000	After Off-Market Purchase US\$'000
Share capital	215,573	152,415	149,847	215,573	152,415	149,847
Reserves	24,454	24,454	24,454	94,162	94,162	94,162
	240,027	176,869	174,301	309,735	246,577	244,009
Treasury shares	–	–	–	–	–	–
Shareholders' funds	240,027	176,869	174,301	309,735	246,577	244,009
NTA⁽¹⁾	239,927	176,769	174,201	309,635	246,477	243,909
Current Assets	599,617	568,038	566,754	599,631	568,052	566,768
Current Liabilities	448,987	480,566	481,850	448,991	480,570	481,854
Working Capital	150,630	87,472	84,904	150,640	87,482	84,914
Total Borrowings	–	31,579	32,863	–	31,579	32,863
Number of Shares less shares cancelled ('000)	721,900	649,984	649,984	721,900	649,984	649,984
Financial Ratios						
NTA per Share (US cents) ⁽²⁾	33.24	27.20	26.80	42.89	37.92	37.53
Annualised Return on equity (%)	8.76	11.89	12.07	14.59	18.33	18.52
Basic EPS (US cents) ⁽³⁾	2.91	3.24	3.24	6.26	6.95	6.95
Gearing ratio (times) ⁽⁴⁾	NA	0.18	0.19	NA	0.13	0.13
Current ratio (times) ⁽⁵⁾	1.34	1.18	1.18	1.34	1.18	1.18

Notes:-

- (1) NTA refers to net assets less goodwill on consolidation and intangible assets.
- (2) NTA per Share is based on 649,983,484 Shares which has excluded 71,916,053 Shares held in treasury.
- (3) EPS is based on 649,983,484 Shares, the weighted average number of Shares, which has excluded 71,916,053 held in treasury.
- (4) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (5) Current ratio equals current assets divided by current liabilities.

As illustrated above, the purchase of Shares made out of the capital of the Company and the cancellation of such purchased Shares would have the effect of reducing the working capital and NTA of the Group. The consolidated NTA per Share of the Group as at 31 December 2009 would decrease from 42.89 US cents to 37.92 US cents in the case of an

On-Market Purchase and from 42.89 US cents to 37.53 US cents in the case of an Off-Market Purchase. No adjustment was made to take into account the reduction in dividend paid out during the year from the purchase of Shares.

Shareholders should note that the financial effects set out above are purely for illustrative purposes only. Although the proposed Share Purchase Mandate would authorise the Company to purchase or acquire up to ten per cent. (10%) of the total number of issued Shares excluding treasury shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire ten per cent. (10%) of the total number of issued Shares excluding treasury shares.

3.3.9 Tax Implications

- (a) Where the Company uses its profits for the Share purchase

Under Section 10J of the Income Tax Act, a company which buys back its own shares using its profits, and not its contributed capital, is regarded as having paid a dividend to the shareholders from whom the shares are acquired. As the Company has already moved into the one-tier corporate tax system, the provisions under Section 44 of the Income Tax Act do not apply to the Company. That is, the Company does not need to provide for the franking of the Share purchase in the same way as if paying a taxed dividend under the Section 44 imputation system. As such, there will not be any tax implications to the Company. The tax treatment of the receipt from a Share purchase in the hands of the Shareholders will depend on whether the disposal arises from an On-Market Purchase or an Off-Market Purchase.

Proceeds received by Shareholders who sell their Shares to the Company in On-Market Purchases through the normal ready counters will be treated for income tax purposes like any other disposal of shares and not as a dividend. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipts of an income or capital nature in the hands of the respective Shareholders.

Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase, where the Share Purchase is made otherwise than on the SGX-ST, in accordance with an equal access scheme will be treated for income tax purposes as the receipt of a dividend which is tax exempt under the one-tier corporate tax system.

- (b) Where the Company uses its contributed capital for the Share purchase

There will be no tax implications to the Company when it uses its contributed capital to buy back its shares.

For Shareholders, proceeds received by them will be treated for income tax purposes like any other disposal of shares and not as a dividend. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipts of an income or capital nature in the hands of the respective Shareholders.

Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of share purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

3.3.10 Reporting Requirements

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Registrar of Companies.

The Company shall notify the Registrar of Companies within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchases including the date of the purchases, the total number of Shares purchased by the Company, the number of Shares cancelled and the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase of Shares, the amount of consideration paid by the Company for the purchases, and such other information as required by the Companies Act.

The Listing Rules also specify that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of an On-Market Purchase, on the Market Day following the day of purchase of any of its shares and (b) in the case of an Off-Market Purchase in accordance with an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer. Such notification shall include details of the total number of shares authorised for purchase, the date of purchase, prices paid for the total number of shares purchased, the purchase price per share or the highest and lowest purchase price per share and the number of issued shares excluding treasury shares after purchase, in the form prescribed under the Listing Rules. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to SGX-ST.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(26) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of treasury shares sold, transferred, cancelled and/or used;
- (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of treasury shares against the total number of Shares outstanding before and after such sale, transfer, cancellation and/or use; and
- (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

3.3.11 Listing Rules

Under the Listing Rules, a listed company may purchase shares by way of On-Market Purchases at a price per share which is not more than five per cent. (5%) above the average of the closing market prices of the shares over the last five (5) Market Days on which transactions in the shares were recorded, before the day on which the purchases were made, which is deemed to be adjusted for any corporate action that occurs after the relevant period of five (5) Market Days.

The Maximum Price for a Share in relation to On-Market Purchases by the Company conforms to this restriction.

While the Listing Rules do not expressly prohibit any purchase of shares by a listed company during any particular time(s), because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase of Shares pursuant to the Share Purchase Mandate at any time after any matter or development of a price sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such

price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares through On-Market Purchases during the period of:

- (a) one (1) month immediately preceding the announcement of the Company's annual (full-year) results; and
- (b) two (2) weeks immediately preceding the announcement of the Company's results for each of the first three (3) quarters of its financial year.

The Company is required under Rule 723 of the Listing Manual to ensure that at least ten per cent. (10%) of the total number of its Shares (excluding treasury shares) are in the hands of the public. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

As at the Latest Practicable Date, there are 206,818,991 Shares in the hands of the public (as defined above), representing 28.76% of the issued share capital of the Company (excluding treasury shares). Assuming that (a) the Company purchases its Shares through On-Market Purchases up to the full ten per cent. (10%) limit pursuant to the Share Purchase Mandate and all such Shares purchased are held by the public and (b) all Shares purchased by the Company are held as treasury shares, the number of Shares in the hands of the public would be reduced to 134,902,938 Shares, representing 20.84% of the issued share capital of the Company (excluding treasury shares). Accordingly, the Company is of the view that there is sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through On-Market Purchases up to the full ten per cent. (10%) pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases of its Shares through On-Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient number of Shares remain in public hands so that the Share purchase(s) will not:

- (a) adversely affect the listing status of the Shares on the SGX-ST;
- (b) cause market illiquidity; or
- (c) adversely affect the orderly trading of the Shares.

3.3.12 Obligation to Make a Take-over Offer

Under Rule 14 of the Code, a person will be required to make a general offer for a public company if:

- (a) he acquires thirty per cent. (30%) or more of the voting rights of the company; or
- (b) he holds between thirty per cent. (30%) and fifty per cent. (50%) of the voting rights of the company and he increases his voting rights in the company by more than one per cent. (1%) in any six (6)-month period.

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Code. Consequently, a Shareholder or group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make a take-over offer for the Company under Rule 14 of the Code.

Under the Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert with each other, namely:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;
- (b) a company with any of its directors (together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten per cent. (10%) or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of the foregoing, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the equity share capital of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Code.

In general terms, under Rule 14 and Appendix 2 of the Code, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, (i) the voting rights in the Company of such Directors and their concert parties would increase to thirty per cent. (30%) or more or (ii) if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties increase by more than one per cent. (1%) in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Code, a Shareholder not acting in concert with the Directors will not incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company increases to thirty per cent. (30%) or more, or, if the voting rights of such Shareholder fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent.(1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Code as a result of any purchase or acquisition of Shares by the Company, are advised to consult their professional advisers and/or the Securities Industry Council and/or the relevant authorities at the earliest opportunity.

Purely for illustrative purposes, on the basis of 719,160,537 Shares (excluding treasury shares) in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the EGM, not more than 71,916,053 Shares (representing ten per cent. (10%) of the Shares in issue as at that date excluding treasury shares) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate, if so approved by Shareholders at the EGM.

Assuming that such granted Share Purchase Mandate is validly and fully exercised prior to the next annual general meeting for it to purchase the maximum allowed number of Shares being 71,916,053 Shares (on the basis that there would have been no change to the number of Shares in issue at the time of such exercise) and that such purchased Shares are not acquired from the Substantial Shareholders, based on the Register of Substantial Shareholders of the Company as at the Latest Practicable Date, the shareholdings of the Substantial Shareholders would be changed as follows:

Name of Substantial Shareholder	Shareholding Before Share Purchase			Shareholding After Share Purchase		
	Direct Interest	Deemed Interest	Total Interest [#]	Direct Interest	Deemed Interest	Total Interest [#]
	%	%	%	%	%	%
CNAF	–	51.14	51.14	–	56.82	56.82
BPIA	20.10	–	20.10	22.34	–	22.34

* CNAF is deemed to have an interest in 367,777,427 Shares, representing 51.14% of the total share capital in the Company, held by DBS Vickers Securities (Singapore) Pte Ltd.

Excludes treasury shares.

Based on the information set out above, assuming that there is no change to the shareholding interests of the Substantial Shareholders since the Latest Practicable Date, none of the Substantial Shareholders referred to above are expected to incur an obligation to make a general offer to other Shareholders under the Code solely by reason of the Share Purchase Mandate.

3.3.13 Previous Share Purchases

Details of Share purchases via On-Market Purchases by the Company in the 12 months immediately preceding the Latest Practicable Date are as follows:

Month of purchase or acquisition	Aggregate number of Shares purchased or acquired	Highest price per Share (\$)	Lowest price per Shares (\$)	Total consideration (\$)
November 2009	364,000	1.09	1.06	395,189.40
December 2009	557,000	1.09	1.07	604,167.70
January 2010	2,133,000	1.24	1.14	2,580,272.09
February 2010	0	0	0	0
up to 14 March 2010	606,000	1.18	1.13	708,033.43

4. AMENDMENT TO THE SCHEME

4.1 Background

On 9 November 2001, the Company obtained Shareholders' approval at an extraordinary general meeting of the Company for the adoption of the Scheme, under which options may, subject to the Rules of the Scheme, be granted to, *inter alia*, (i) Directors, (ii) employees (including executive directors) of the Group, and (iii) employees (including executive directors) of the Company's parent, CNAF, and its subsidiaries. The Rules of the Scheme were also disclosed in the Company's prospectus dated 26 November 2001 in relation to the initial public offering ("IPO") of the Company.

4.2 Proposed Amendment to Rule 4.7 of the Scheme

The Company proposes to amend (the "Amendment") the existing Rule 4.7 of the Scheme by replacing the proviso (as underlined and set in bold) below:

Existing Rule 4.7

"The aggregate number of Shares which may be offered by way of grant of Options to Parent Group Executives and Parent Group Directors in any capacity under the Scheme shall not exceed twenty (20) per cent. of the total number of Shares available under the Scheme, and **such aggregate number of Shares which may be offered to Parent Group Executives and Parent Group Directors in their capacity as such under the Scheme shall be approved by independent shareholders of the Company in a separate resolution.**"

with the proviso (as underlined and set in bold) below:

Amended Rule 4.7

"The aggregate number of Shares which may be offered by way of grant of Options to Parent Group Executives and Parent Group Directors in any capacity under the Scheme shall not exceed twenty (20) per cent. of the total number of Shares available under the Scheme, and **this shall be approved by independent shareholders of the Company in a separate resolution.**"

4.3 Rationale for the Proposed Amendment

Rule 854 of the Listing Manual requires the Company to obtain independent Shareholders' approval for, *inter alia*, the aggregate number of options to be made available for grant to all directors and employees of the Company's parent company and its subsidiaries ("Parent Group Limit").

There is no requirement under the Listing Manual that any grant of options under the Scheme to a director or employee of the Company's parent company and its subsidiaries has to be approved separately by independent Shareholders. Accordingly, if and when the resolution to approve the Amendment is passed, the Company will be allowed to grant options to the directors and employees of the Company's parent company and its subsidiaries, subject to the other terms and conditions of the Scheme. The Amendment is proposed to bring the Rules of the Scheme in line with the Listing Manual by clarifying that independent Shareholders' approval is not required for each and every grant of options under the Scheme to directors and employees of the Company's parent company and its subsidiaries and that only the Parent Group Limit is required to be approved by independent Shareholders in a separate resolution.

For Shareholders' information, the Parent Group Limit of twenty per cent. (20%) of the total number of Shares available under the Scheme has already been approved by Shareholders as at the IPO.

5. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

5.1 The Renewal of the IPT Mandate

By virtue of their interests in the IPT Mandate, each of CNAF and BPIA, holding deemed and direct interests of 51.14% and 20.10% in the share capital of the Company respectively, will abstain and have undertaken to ensure that their associates will abstain from voting on the ordinary resolution relating to the proposed renewal of the IPT Mandate at the EGM.

Further, each of CNAF and BPIA has agreed to decline accepting appointment as proxies to vote and attend at the EGM in respect of the ordinary resolution relating to the proposed renewal of the IPT Mandate, unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast.

5.2 The Amendment to the Scheme

As the Amendment relates to the grant of options to directors and employees of CNAF and its subsidiaries, CNAF will abstain and have undertaken to ensure that its associates will abstain from voting on the ordinary resolution relating to the proposed Amendment at the EGM. The directors and employees of CNAF and its subsidiaries who are also Shareholders and are eligible to participate in the Scheme will also abstain from voting on the said ordinary resolution.

Further, CNAF has agreed to decline accepting appointment as proxy to vote and attend at the EGM in respect of the ordinary resolution relating to the proposed Amendment, unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast.

6. DIRECTORS WHO WILL ABSTAIN FROM VOTING

6.1 The Renewal of the IPT Mandate

The following Directors, being nominees of the Interested Persons in relation to the IPT Mandate on the Board, will abstain from voting on the ordinary resolution relating to the proposed renewal of the IPT Mandate at the EGM:

- (a) Sun Li (Deputy Chairman – nominee of CNAF);
- (b) Meng Fanqiu (Chief Executive Officer/Executive Director – nominee of CNAF);
- (c) Zhao Shousen (Non-Executive Director – nominee of CNAF);
- (d) Luo Qun (Non-Executive Director – nominee of CNAF);
- (e) Timothy Bullock (Non-Executive Director – nominee of BPIA); and
- (f) Chen Liming (Non-Executive Director – nominee of BPIA).

They will also decline to accept appointment as proxy to vote and attend at the EGM in respect of the ordinary resolution relating to the proposed renewal of the IPT Mandate, unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast.

6.2 The Amendment to the Scheme

The following Directors (the “**CNAF Nominees**”), being nominees of CNAF on the Board, will abstain from voting on the ordinary resolution relating to the proposed Amendment at the EGM:

- (a) Sun Li (Deputy Chairman – nominee of CNAF);
- (b) Meng Fanqiu (Chief Executive Officer/Executive Director – nominee of CNAF);
- (c) Zhao Shousen (Non-Executive Director – nominee of CNAF); and
- (d) Luo Qun (Non-Executive Director – nominee of CNAF).

They will also decline to accept appointment as proxy to vote and attend at the EGM in respect of the ordinary resolution relating to the proposed Amendment, unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast.

7. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN THE COMPANY

As at the Latest Practicable Date, none of the Directors has any interest in the Shares of the Company.

The interests of the Controlling Shareholders in the Shares as at the Latest Practicable Date are set out below:

Name of Controlling Shareholder	Direct Interest (No. of Shares)	%	Deemed Interest (No. of Shares)	%
CNAF	–	–	367,777,427*	51.14
BPIA	144,564,119	20.10	–	–

* Held through DBS Vickers Securities (Singapore) Pte Ltd

8. DIRECTORS’ RECOMMENDATION

8.1 The Renewal of the IPT Mandate

The Independent Directors are of the opinion that the proposed renewal of the IPT Mandate is in the best interests of the Company. Accordingly, the Independent Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the renewal of the IPT Mandate at the forthcoming EGM.

8.2 The Renewal of the Share Purchase Mandate

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the renewal of the Share Purchase Mandate at the forthcoming EGM.

8.3 The Amendment to the Scheme

As the CNAF Nominees are nominees of CNAF, they will refrain from making any recommendation to Shareholders in respect of the ordinary resolution relating to the proposed Amendment. The Directors (other than the CNAF Nominees) are of the view that the proposed Amendment is consistent with the requirements of the Listing Manual. Accordingly, the Directors (other than the CNAF Nominees) recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed Amendment at the forthcoming EGM.

9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 45 to 47 of this Circular, will be held at DBS Auditorium, Level 3, 6 Shenton Way, DBS Building Tower One, Singapore 068809 on Friday, 23 April 2010 at 3:30 p.m. (or as soon thereafter following the conclusion or adjournment of the AGM to be held at 3:00 p.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing, the ordinary resolutions set out in the notice of EGM.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

A Shareholder who is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, may complete, sign and return the proxy form attached to the notice of EGM in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the registered office of the Company at 8 Temasek Boulevard, #31-02, Suntec Tower Three, Singapore 038988 not later than 3:30 p.m. on 21 April 2010. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM, if he wishes to do so, in place of his proxy.

A depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register maintained by the CDP, pursuant to Division 7A of Part IV of the Companies Act, not later than forty-eight (48) hours before the EGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Circular) collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the date of this Circular and that no material facts have been omitted which would make any such information misleading in any material respect.

Where information contained in this Circular has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

12. DOCUMENTS FOR INSPECTION

The following documents 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 from the date of this Circular up to the date of the EGM:

- (a) the Circular to Shareholders dated 9 April 2009;
- (b) the Circular to Shareholders dated 1 September 2009;
- (c) the Circular to Shareholders dated 15 December 2008 (relating in particular to paragraph 5.2 of Annex II to this Circular);

- (d) the Memorandum and Articles of Association of the Company; and
- (e) the Rules of the Scheme.

Yours faithfully
For and on behalf of the Board of Directors of
China Aviation Oil (Singapore) Corporation Ltd

Wang Kai Yuen
Independent Chairman

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

SCOPE

Chapter 9 of the Listing Manual applies to transactions which an entity at risk proposes to enter into with a counterparty who is an interested person of the entity at risk.

DEFINITIONS

A “controlling shareholder” means a person who holds (directly or indirectly) 15% or more of the total number of issued shares excluding treasury shares in the listed company (provided that the SGX-ST may determine that a person who satisfies the foregoing is not a controlling shareholder) or one who in fact exercises control over the listed company.

A “transaction” includes (a) the provision or receipt of financial assistance, (b) the acquisition, disposal or leasing of assets, (c) the provision or receipt of services, (d) the issuance or subscription of securities, (e) the granting of or being granted options, and (f) the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

An “associate” includes an immediate family member (that is, the spouse, child, adopted child, stepchild, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which such director, chief executive officer or controlling shareholder or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which such director, chief executive officer or controlling shareholder and his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, “associate” means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

An “associated company” means a company in which at least 20% but not more than 50% of its shares are held by the listed company and/or the listed company’s subsidiaries.

An “entity at risk” means the issuer, any of its subsidiaries (other than subsidiaries that are listed on the SGX-ST or an approved exchange) or any of its associated companies (other than associated companies that are listed on the SGX-ST or an approved exchange or over which the listed group and/or its interested person(s) have no control).

An “interested person” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

“control” means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company.

GENERAL REQUIREMENTS

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9, immediate announcement, or immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets), are reached or exceeded. In particular, shareholders' approval is required where:

- (a) the value of such transaction when aggregated with the values of all other transactions previously entered into with the same interested person (as defined in Chapter 9 of the Listing Manual) in the same financial year of the listed company is equal to or exceeds 5% of the latest audited consolidated net tangible assets of the listed company; or
- (b) the value of such transaction is equal to or exceeds 5% of the latest audited consolidated net tangible assets of the listed company.

GENERAL MANDATE

A listed company may seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. RATIONALE FOR THE IPT MANDATE

The IPT Mandate is intended to facilitate transactions in the ordinary course of business of the Group as described in paragraph 3 of this Annex II which are recurrent in nature and may be transacted from time to time with the Interested Persons provided that they are carried out on normal commercial (or, in the absence of other similar comparable transactions, commercially reasonable) terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The IPT Mandate is intended to enhance the CAO Group's ability to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' approval for the entry by the CAO Group into such transactions. This will substantially reduce administrative time and expenses associated with the making of such announcements or the announcement and convening of general meetings from time to time, and allow manpower resources to be focused towards other corporate and business opportunities.

2. CLASSES OF INTERESTED PERSONS

Under the IPT Mandate, the Interested Persons comprise:

- (a) members of the CNAF Group; and
- (b) members of the BP Group,

each of which is deemed to be an Interested Person that the Group will be transacting with.

The list of members of the CNAF Group and the BP Group and the types of transactions which the CAO Group intends to undertake pursuant to the IPT Mandate, is set out in **Annex III** to this Circular. It is to be noted that as the CNAF Group and the BP Group undertake internal restructuring exercises from time to time, the list of members from the respective groups as well as the types of transactions to be transacted with each member will be subject to change.

Paragraph 3 of this Annex II sets out the background to, and describes the nature of, the Interested Person Transactions with the CNAF Group and the BP Group respectively which are covered under the IPT Mandate.

3. CATEGORIES OF INTERESTED PERSON TRANSACTIONS

3.1 Interested Person Transactions with the CNAF Group

Transactions between the CAO Group and the CNAF Group covered by the IPT Mandate include:

- (a) the sales and purchases of Petroleum Products to the CNAF Group, whether pursuant to the terms of the Supply Agreements or otherwise; and
- (b) the provision and receipt of supply chain services including, but not limited to:
 - (i) the procurement of shipping and logistics services from CNAF Logistics for the transport of Petroleum Products by sea (including the chartering of ships, whether on a time charter or fixed voyage basis, and the rental of tankages); and
 - (ii) the provision of import agency services for Petroleum Products to LandOil and other members of the CNAF Group.

Presently, the CAO Group does not intend to engage in the trading of Derivative Financial Instruments with the CNAF Group. As such, the IPT Mandate does not cover transactions involving the trading of Derivative Financial Instruments with the CNAF Group.

3.1.1 Sales and Purchases of Petroleum Products

Supply Agreements and the SPIA Supply Agreement

On 13 March 2008, the Company and each of CNAFCL and Bluesky entered into the Supply Agreements, which renewed the terms of the aviation fuel supply arrangements between the Company and each of CNAFCL and Bluesky. Each of the Supply Agreements is in effect for a period of two (2) years commencing from 6 August 2008, being the date on which the IPT Mandate was first approved and adopted, and may be renewed by the mutual agreement of the Company and each of CNAFCL and Bluesky upon the expiry of the two (2) year period on 6 August 2010. On 23 March 2010, the Company and CNAFCL entered into a Supply Agreement which renewed the terms of the aviation fuel supply arrangements between the Company and CNAFCL for a term of two (2) years from 6 August 2010. The Company and Bluesky also entered into a Supply Agreement which concurrently terminated the existing Supply Agreement and renewed the terms of the aviation fuel supply arrangements between the Company and Bluesky for a term of two (2) years from 1 April 2010. The Company has reviewed the renewal and extension of the Supply Agreements and the terms thereof in accordance with the IPT Mandate pursuant to Chapter 9 of the Listing Manual as set out in this Circular.

On 20 March 2008, the Company and SPIA also entered into a supply agreement which renewed the terms of the aviation fuel supply arrangements between the Company and SPIA for a term of two (2) years from 20 March 2008. The SPIA Supply Agreement was extended by the mutual agreement of the Company and SPIA on 21 February 2010 for a further period of two (2) years expiring on 19 March 2012.

Under the respective Supply Agreements and the SPIA Supply Agreement, the Company is to purchase aviation fuel on a proprietary basis (and not as agent of CNAFCL, Bluesky or SPIA, as the case may be), and then sell the aviation fuel to each of CNAFCL, Bluesky and/or SPIA (or their respective designated import agents) on a proprietary basis.

The pricing at which the Company is to sell aviation fuel to CNAFCL or Bluesky under their respective Supply Agreements is either (i) through a competitive tender exercise whereby the price charged to CNAFCL or Bluesky is the tender price, plus a fixed margin component, or (ii) at an agreed price based on a market pricing benchmark for the aviation fuel to be supplied, plus a pre-agreed fixed premium and a fixed margin component. In this context, the term “fixed margin” refers to an agreed fixed amount that the Company receives over and above its costs of procuring the aviation fuel; and the term “pre-agreed fixed premium” refers to the additional fixed amount pre-agreed between the Company on the one hand and each of CNAFCL and Bluesky respectively on the other, which is over and above the agreed price/market pricing benchmark (such as from Platts Singapore or any other global provider of energy pricing information) of the aviation fuel to be supplied. In procuring aviation fuel from the suppliers, the Company also pays its suppliers a premium over and above the cost of the aviation fuel in line with prevailing market practice in the industry. The Company will not proceed with a sale under the method described in (ii) above (i.e. at an agreed price based on a market pricing benchmark for the aviation fuel to be supplied, plus a pre-agreed fixed premium and a fixed margin component), if the overall sale price chargeable to CNAFCL and Bluesky is less than the Company’s breakeven price for the aviation fuel.

The Supply Agreements and the SPIA Supply Agreement further set out other details regarding the procurement process, such as the periodic requirements for aviation fuel of CNAFCL, Bluesky and SPIA, tender preparations by the Company, qualifications of suppliers, tender methods and notification of tender results.

Bluesky is a subsidiary of CNAFCL. As CNAFCL is a subsidiary of CNAF, CNAFCL and Bluesky are therefore interested persons of the Company for the purposes of Chapter 9 of the Listing Manual.

As SPIA is not an “interested person” for the purposes of Chapter 9 of the Listing Manual and does not hold any interest in the Company, transactions between the Company and SPIA are not covered under the IPT Mandate.

Ad Hoc Supplies of Aviation Fuel

In addition to the supply of aviation fuel to CNAFCL and Bluesky under the Supply Agreements, the CAO Group intends to undertake the supply of aviation fuel to, *inter alia*, members of the CNAF Group on an ad hoc basis. Where the CAO Group undertakes such supplies of aviation fuel to the CNAF Group, such supplies will be made on terms similar to the Supply Agreements, that is, the relevant products will be procured by the CAO Group on a proprietary basis and sold onward to the CNAF Group at the same premium plus the same fixed margin as referred to under the respective Supply Agreements.

Physical Trading in Petroleum Products

The CAO Group may engage in the physical trading of Petroleum Products with any member of the CNAF Group if that member meets the Company’s eligibility requirements.

The bases for the pricing of Petroleum Products in physical trades to be sold or purchased by the CAO Group are in line with current market practices and involve two (2) pricing components namely, Mean of Platts Singapore (“**MOPS**”) plus a fixed premium or less a fixed discount. MOPS refers to the mean of the high and low components of a Platts assessment for cargoes of oil products (including Petroleum Products) loading from Singapore. Platts is a leading global provider of energy and metals information. The amount of premium for a particular transaction is determined by negotiations between the trading parties which will *inter alia* depend on the quality of the Petroleum Products and other relevant market factors and conditions.

The Risk Management Committee holds the overall responsibility of ensuring that risk management controls and processes have been duly followed. This responsibility is delegated to the chief executive officer of the Company and subsequently to the head of risk management for daily operational activities.

3.1.2 Supply Chain Services

Background

As part of the Company’s continuing development of its capabilities, the Company is seeking to optimise its supply chain capabilities through enhancing its current business model. To this end, it seeks to be able to improve its supply chain optimisation capabilities beyond merely ensuring the quality and timely delivery of oil product shipments, to working with traders to ensure the most cost-effective ways to ship oil products in light of the Company’s supply and trading portfolio as a whole. For example, rather than chartering ships on individual voyage basis, the Company believes that it may be more efficient operationally and financially to enter into a time charter agreement in respect of a number of physical movements of oil products, or to enter into shipping arrangements with other suppliers on a collaborative basis.

Purchase of Shipping and Logistics Services

To this end, the Company works with several ship owners and logistics services providers. The key attributes by which these potential suppliers are selected include their competitiveness, their respective track records in handling the quality of oil products which the Company supplies, as well as their presence in the North Asian aviation fuel shipment market. In the course of sourcing for such suppliers, the Company anticipates that it may enter into shipping and logistics services arrangements, such as multiple voyages or time charter contracts, rental of tankages and other aviation fuel transportation arrangements with CNAF Logistics, if it is of the view that CNAF

Logistics is able to offer competitive terms for their shipping and logistics services. Further, the Company purchases Petroleum Products from various members of the BP Group and in turn sells the same to the receivers in PRC or other buyers. In the course of its supply to such buyers, the Company will in some cases need to purchase shipping and logistics services. For example, if CAO buys Petroleum Products on FOB basis and sells on CFR basis, CAO will require freight services and it may engage CNAF Logistics to provide the freight services. If CAO buys on FOB basis and sells on FOB basis, CAO will not need freight services as CAO's buyer will be responsible for the freight arrangements. If CAO buys on CFR basis and sells on CFR basis, CAO will not need freight services.

As CNAF Logistics is a subsidiary of CNAF, CNAF Logistics is therefore an interested person of the Company for the purposes of Chapter 9 of the Listing Manual.

Supply of Import Agency Services

As the Group builds up its supply chain optimisation capabilities, there may be other supply-chain and logistics-related services provided or to be provided by the Group to the CNAF Group, such as import agency arrangements that the Group intends to provide to LandOil. Under the import agency arrangements, the Company will be paid a fixed commission that is in line with the margins quoted in the markets for similar supply of import agency services and is determined by a bilateral negotiation between the Company and the relevant member of the CNAF Group (which in cases of import agency services, is LandOil).

As LandOil is a subsidiary of CNAF, LandOil is therefore an interested person of the Company for the purposes of Chapter 9 of the Listing Manual.

3.2 Interested Person Transactions with the BP Group

The CAO Group enters into transactions with the BP Group from time to time in the ordinary course of its business, such transactions being outside of the scope of the business cooperation agreement between the Company, CNAF and BPS (the "BCA"). Transactions with the BP Group that are covered by the IPT Mandate include purchases and/or sales of Petroleum Products and Derivative Financial Instruments to and/or from the BP Group in circumstances not covered under the BCA such as:

- (a) sales of Petroleum Products to members of the BP Group;
- (b) purchases of aviation fuel from members of the BP Group for onward sale to customers outside of the PRC;
- (c) purchases of Petroleum Products (other than aviation fuel) from the BP Group whether for onward sales to customers in the PRC or elsewhere;
- (d) trading of Derivative Financial Instruments with members of the BP Group; and
- (e) the procurement of supply chain services from members of the BP Group.

3.2.1 BCA and Interim Trading Agreement with BPS

As part of the terms of BP's investment in the Company, the Company entered into the BCA with CNAF and BPS on 5 December 2005, for the purposes of strengthening the Company's capability in international procurement of aviation fuel and to ensure a secure supply of such aviation fuel to the Company on competitive terms for its onward sale and supply to buyers in the PRC.

Pursuant to the terms of the BCA, BPS, *inter alia*, assists the Company in the tender process for the procurement of aviation fuel. In addition, BPS has the pre-emptive right to match bids received from other suppliers participating in the tender price, at a price which is lower than the price offered in such bids, and may also, in specified circumstances mentioned in the BCA, supply the Company with aviation fuel.

As disclosed in the Circular to Shareholders dated 8 February 2006, the BCA and all transactions conducted under the BCA were deemed approved by the Shareholders for the term of the BCA when they approved BP's investment in the Company. Therefore no further approval is needed from Shareholders for transactions conducted under the BCA after Shareholders approved the issuance of Shares to BP.

As announced by the Company on 4 December 2008, the BCA has been suspended during the tenure of the Interim Trading Agreement. Shareholders should note that transactions undertaken under the Interim Trading Agreement will be covered by the IPT Mandate. If and when the Interim Trading Agreement lapses, the BCA will come back into force unless otherwise mutually agreed between the parties thereto.

The Interim Trading Agreement provides for two categories of supplies: (1) a regular monthly supply of a specified minimum quantity of aviation fuel on CFR basis to the PRC, with a fixed pricing formula provided therein (Clause 3.1 of the Interim Trading Agreement); and (2) supply of additional aviation fuel on an ad hoc basis, subject to CAO's agreement, within an agreed range of premium specified in the Interim Trading Agreement (Clause 3.2 of the Interim Trading Agreement).

3.2.2 Physical Trading of Petroleum Products outside the scope of the BCA and the Interim Trading Agreement

Given the BP Group's significant presence in the Petroleum Products trading markets, the CAO Group's trading counterparties, amongst others, include members of the BP Group if each such member meets the CAO Group's trading counterparty eligibility requirements.

The BCA and the Interim Trading Agreement cover the procurement of aviation fuel by the CAO Group from the BP Group for the purposes of onward sale to the CAO Group's customers in the PRC. In addition to the procurement of aviation fuel under the terms of the BCA and the Interim Trading Agreement, the CAO Group also undertakes the following types of trading transactions with the BP Group (which fall outside the scope of the BCA and the Interim Trading Agreement):

- (a) sales of Petroleum Products to members of the BP Group, predominantly on a proprietary basis;
- (b) purchases of aviation fuel from members of the BP Group for onward sale to customers outside of the PRC; and
- (c) purchases of Petroleum Products (other than aviation fuel) from the BP Group whether for onward sales to customers of the CAO Group in the PRC or elsewhere.

As disclosed in paragraph 3.1.1 of this Annex II, the bases for the pricing of Petroleum Products in physical trades to be sold or purchased by the CAO Group are in line with current market practices and involve two (2) pricing components namely, MOPS, which is information available to the market by Platts plus a fixed premium or less a fixed discount. The amount of premium for a particular transaction is determined by negotiations between the trading parties which will *inter alia* depend on the quality of the Petroleum Products and other relevant market factors and conditions.

As BPIA is a Controlling Shareholder, each member of the BP Group is therefore an interested person of the Company for the purposes of Chapter 9 of the Listing Manual.

3.2.3 Trading of Derivative Financial Instruments

A wide range of participants trade in the oil products derivatives markets, ranging from banks (such as Morgan Stanley and Goldman Sachs), oil majors (such as the BP Group, Royal Dutch Shell plc and Chevron Corporation), national oil companies (such as Petroliam Nasional Berhad (Petronas), PetroChina Company Limited and Singapore Petroleum Company Ltd) and trading houses (such as Vitol BV and Glencore International AG). Each market participant has different reasons for its involvement in derivatives trading, such as for hedging purposes or proprietary trading. As the BP Group is one of the major players in the market, members of the BP Group are the CAO Group's trading counterparties from time to time.

The Derivative Financial Instruments transactions that the CAO Group enters into, whether with the BP Group or any other counterparties, are conducted on a basis commonly used by the Derivative Financial Instruments markets for oil products around the world. Transactions range from those highly regulated by exchanges such as the New York Mercantile Exchange to over-the-counter (“OTC”) contracts negotiated bilaterally between counterparties. Exchange traded contracts are highly standardised and transparent with commodities exchanges publishing daily volumes traded and closing prices. While OTC contracts are negotiated bilaterally, they are generally standardised in nature with slight variations in contractual terms as agreed between counterparties. The high degree of standardisation in OTC contracts enables such contracts to have increased transparency and hence, liquidity in the derivatives market. In the Singapore market, the most common oil Derivative Financial Instruments are swaps which are commonly traded on an OTC basis. Market participants could either trade directly with each other, or more commonly, through brokers. Depending on the nature of the commodity, there could be one or more brokers operating in the market. Brokers obtain their quotes independently of other market participants, and as such brokers’ quotations are accepted by the Derivative Financial Instruments industry as indications of the market value of a Derivative Financial Instrument. As such, Platts (an independent source of oil prices) also uses brokers’ quotations in their price considerations.

As BPIA is a Controlling Shareholder, each member of the BP Group is therefore an interested person of the Company for the purposes of Chapter 9 of the Listing Manual.

3.2.4 Procurement of Shipping and Logistics Services

In line with the Company’s plans to optimise its supply chain capabilities and for so long as the BP Group is in the view of the Company able to provide shipping and logistics services on competitive terms, the CAO Group may from time to time procure such services from the BP Group. The services procured from the BP Group include the chartering of vessels from the BP Group on time charter agreement in respect of a number of physical movements of oil products, the rental of tankages from the BP Group, or the entry into of shipping arrangements together with the BP Group on a collaborative basis.

As BPIA is a Controlling Shareholder, each member of the BP Group is therefore an interested person of the Company for the purposes of Chapter 9 of the Listing Manual.

4. BENEFITS OF THE INTERESTED PERSON TRANSACTIONS TO THE GROUP

4.1 Benefits of Transacting with the CNAF Group

The transactions with the CNAF Group contribute a substantial portion of the revenue of the Company, and in fact as at the Latest Practicable Date, the transactions under the Supply Agreements and the SPIA Supply Agreement contribute significantly to the revenue of the Company. Under the Supply Agreements, the Company is assured of a fixed margin over its costs of supply of aviation fuel to the Interested Persons for its procurement services.

Through the Supply Agreements, the Company was appointed the exclusive supplier of all imported aviation fuel requirements of CNAFCL and Bluesky sourced from outside of the PRC (in respect of the airports in Beijing Capital International Airport and Guangzhou Baiyun International Airport respectively), on a proprietary basis for a term which commenced on 6 August 2008, being the date the IPT Mandate was first adopted and approved, and which will expire on 5 August 2012 and 31 March 2012 respectively, and therefore to the extent that the relevant Interested Persons have requirements for imported aviation fuel during the term of the Supply Agreements, the Company will be their exclusive procurement supplier. Each of the Supply Agreements will be extended or renewed for a further term upon the mutual agreement of the parties.

A key benefit of obtaining a mandate for interested person transactions with the CNAF Group in relation to the trading of Petroleum Products is that it provides the CAO Group with an increased number of potential trading partners, thereby giving the CAO Group additional options and flexibility in managing its business and trading strategy in relation to the Petroleum Products.

In relation to the procurement of supply chain services from the CNAF Group, CNAF Logistics possesses logistics facilities for the transportation of aviation fuel, including tanker, jetty, pipeline and shipping facilities. Cooperation between the Company and CNAF Logistics will afford the Company an opportunity to extend its supply chain capabilities, for example, by being able to offer integrated supply chain services for petrochemical products and to arrange for international shipping to domestic transportation.

The provision of import agency services to members of the CNAF Group (including LandOil) will provide the CAO Group with an opportunity to develop its capabilities and expand the range of products offered to its customers.

4.2 Benefits of Transacting with the BP Group

The Company continues to seek to increase the scope of its ordinary trading operations with suitable players in the market both in terms of increasing the variety of products it can trade in, as well as enlarging its customer base to reach markets beyond the PRC, in order to increase the sources of income for the Company. As the BP Group is one of the major players in the oil products derivatives markets, one of the key benefits of obtaining the IPT Mandate is that it provides the CAO Group with an increased number of potential trading partners, thereby giving the CAO Group additional options and flexibility in managing its business and trading strategy in relation to Petroleum Products and Derivative Financial Instruments. Also, this is in line with CAO's aim to trade with all major players in the oil products derivatives markets such that the Company can obtain the most competitive prices for its transactions. Further, the CAO Group expects to benefit from the synergies arising from the collaboration with the BP Group on supply chain services.

5. TRANSACTIONS NOT COVERED BY IPT MANDATE

5.1 Transactions under the BCA

As prior Shareholders' approval has been obtained for the Company's entry into the BCA and all transactions conducted thereunder, the IPT Mandate does not cover transactions between the Company and BPS pursuant to the BCA.

5.2 Transactions under the Pipeline Services Contract

As prior Shareholders' approval has been obtained for the provision of pipeline transportation services by TSN-PEKCL to CNAFCL under the Pipeline Services Contract, the IPT Mandate does not cover such transactions pursuant to the Pipeline Services Contract. However, any variation of the terms of the Pipeline Services Contract which have been outlined in the Company's circular to Shareholders dated 15 December 2008 and any variations in the prices charged for pipeline transportation services, will be subject to Chapter 9 of the Listing Manual.

5.3 Transactions outside the Scope of the IPT Mandate and BCA

Transactions with the Interested Persons which do not fall within the ambit of the IPT Mandate and the BCA shall be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual. Shareholders are also to note that the IPT Mandate does not extend to include the trading of Derivative Financial Instruments between the CAO Group and the CNAF Group.

The IPT Mandate does not cover any transaction by a company in the Group with Interested Persons that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. In addition, the IPT Mandate does not include transactions for the purchase or sale of assets, undertakings or businesses with the Interested Persons.

6. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

To ensure that the Interested Person Transactions are conducted on normal commercial (or, in the absence of other similar comparable transactions, fair and reasonable) terms and will not be prejudicial to the interests of the Company and its minority Shareholders, as a general rule the CAO Group will only enter into transactions with the Interested Persons if the terms offered by or extended to the Interested Persons are respectively no less favourable or more favourable than the terms that may be obtainable from or extended to unrelated third parties.

6.1 Review procedures for determination of premium or amendment of premium or margin under the Supply Agreements, and for extension or renewal of the Supply Agreements

To ensure that any determination of the premium payable under the Supply Agreements, any amendment of the premium or margin under the Supply Agreements, and any future extension or renewal of the Supply Agreements, will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Audit Committee has adopted the following review procedures:

- (a) If, as of the date on which the CAO Group proposes to determine the premium payable under the Supply Agreements, or amend the premium or margin under the Supply Agreements, or extend or renew any Supply Agreement, the CAO Group does not supply aviation fuel in any significant amount to other unrelated third parties, so that it is not possible to compare the proposed premium or margin or proposed terms of the extended or renewed Supply Agreement (as the case may be) against the premium, margin and/or terms of other transactions with unrelated third parties, the premium or margin or the CAO Group's pricing for its supply of aviation fuel to Interested Persons as set out in the extended or renewed Supply Agreement (as the case may be) will be verified by any two (2) Senior Executives or such other persons as may be appointed by the Audit Committee who shall have no interest (whether direct or indirect) in the Interested Person Transactions concerned and shall not be involved in the negotiations of the premium or margin or the negotiations of the extension or renewal of the relevant Supply Agreement (as the case may be).

In undertaking such verification, the two (2) Senior Executives or other appointed persons will, on a best efforts basis, obtain reference prices and/or quotations from the external markets via the CAO Group's existing aviation fuel suppliers (for example, by obtaining from such suppliers indicative margins and premiums that they are charging for their sales and estimates of freight charges for delivering the aviation fuel into the PRC). They will then verify that the proposed margin and/or premium is/are consistent with or better than such indicative market rates as a rough benchmark or gauge of the then applicable pricing of aviation fuel.

It is to be noted that there are limitations on making meaningful and fair comparisons of reference prices and quotations for aviation fuel imports into the PRC, as CAO currently only supplies aviation fuel (sourced from outside the PRC) in substantial amounts to CNAFCL and Bluesky for imports into the PRC and does not supply aviation fuel in any significant amount to other unrelated third parties, and it is difficult to obtain comparable reference prices and quotations on a like-for-like basis due to differences in sizes, delivery dates, quantity loads and locations of cargoes.

- (b) If, as of the date on which the CAO Group proposes to determine the premium payable under the Supply Agreements, or amend the premium or margin under the Supply Agreements, or extend or renew any Supply Agreement, the CAO Group does supply aviation fuel in a significant amount to other unrelated third parties, the price and terms of two (2) other successful sales of aviation fuel to unrelated third parties will be used as comparison, whenever possible, for the premium or margin or the prices and terms proposed to be included in the extended or renewed Supply Agreement (as the case may be). Any two (2) Senior Executives or such other persons as may be appointed by the Audit Committee who shall have no interest (whether direct or indirect) in the Interested Person Transactions

concerned and shall not be involved in the negotiations of the premium or margin or the negotiations of the extension or renewal of the relevant Supply Agreement (as the case may be), will review these comparables, taking into account all pertinent factors including, but not limited to, price, quality, delivery time and track record, to ensure that the interests of minority Shareholders are not disadvantaged.

The entry into an extended or renewed Supply Agreements by the Company will be approved by the Board. As required under Article 102 of the Articles of Association of the Company, directors of the Company with a direct or indirect personal material interest in the Supply Agreements will abstain from voting on the resolution.

6.2 Review procedures for transactions with the Interested Persons involving purchases and/or sales of Petroleum Products (other than under the Supply Agreements and the BCA)

In respect of transactions comprising purchases and/or sales of Petroleum Products by the CAO Group from or to any Interested Person, in addition to the credit assessment process undertaken by the CAO Group on all potential parties for Petroleum Products before accepting that Interested Person as a counterparty:

- (a) When selling and purchasing Petroleum Products to and from an Interested Person, any two (2) Senior Executives who shall have no interest (whether direct or indirect) in the Interested Person Transaction concerned and shall not be involved in the negotiations of the relevant contract shall, where practicable or possible, compare the terms offered by or to the Interested Person against the terms of at least one (1) other quotation obtained from unrelated third parties of similar quantities and/or quality of the relevant Petroleum Products, prior to the entering into of the contract or transaction with the Interested Person, as a basis for comparison, and such comparisons, if any, are to be documented. In determining the competitiveness of the quotations (including those by and to the Interested Person), all pertinent factors, including but not limited to pricing, quality, delivery time and track record, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will be taken into consideration. At the end of each trading day, the head of trading will then forward a report containing the quotations for comparison to the head of risk management as part of the Company's daily trading risk review procedures.

For the purposes of this review procedure in determining whether it is practicable or possible to compare the terms offered by or to the Interested Person against the terms of at least one (1) other quotation obtained from unrelated third parties, any two (2) Senior Executives who shall have no interest (whether direct or indirect) in the Interested Person Transaction concerned and shall not be involved in the negotiations of the relevant contract, shall follow the control guidelines to be issued by the Audit Committee in consultation with the Risk Management Committee. The control guidelines shall be reviewed and updated by the Audit Committee from time to time and shall be subject to review by the internal auditors.

- (b) Where such quotations are not obtainable, the transactions with the Interested Person will be reviewed against recent actual transactions of similar nature published in recognised industry publications or as published on a recognised commodities exchange. In determining the competitiveness of these published terms, the two (2) Senior Executives involved in the review will have to take into consideration the same pertinent factors as mentioned above.
- (c) Due to the nature of the markets in which the CAO Group operates, involving purchases and/or sales of Petroleum Products, situations will commonly occur wherein there are no available quotations from unrelated third party suppliers or purchasers, and published rates of recent actual transactions of similar nature published in recognised industry publications or as on recognised commodities exchanges are not available, applicable or comparable. For all such situations the transaction will be reviewed and approved by any two (2) Senior Executives who shall have no interest (whether direct or indirect) in the Interested Person Transaction concerned and shall not be involved in the negotiations of the relevant contract,

after taking into consideration factors such as, but not limited to, delivery schedules, market pricing, quantity and credit terms. For transactions with Interested Persons, the head of trading will record the transaction as well as the assessment process and forward the same to the head of risk management as part of the Company's daily trading review procedures. The record of these transactions will be available for inspection and review by the Audit Committee from time to time as it may require.

Trades undertaken under Clause 3.2 of the Interim Trading Agreement (as referred to in the last sub-paragraph of paragraph 3.2.1 of this Annex II), as well as ad hoc supplies of Petroleum Products (other than supply of aviation fuel to the CNAF Group which is covered under paragraph 6.5 of this Annex II), will be reviewed in accordance with this paragraph 6.2 of this Annex II. Any renewal or extension of the Interim Trading Agreement, whether on the same or different terms or pricing and for any proposed renewal or extension term, will be reviewed in accordance with this paragraph 6.2 of this Annex II.

6.3 Review procedures for transactions with the Interested Persons involving the trading of Derivative Financial Instruments

In addition to the credit assessment process undertaken by the CAO Group on all potential parties in relation to Derivative Financial Instruments before accepting that Interested Person as a counterparty, the following review procedure will be applied in respect of the trading of Derivative Financial Instruments between the CAO Group and an Interested Person.

Prior to entering into any contract or transaction in connection to the trades of Derivative Financial Instruments with any Interested Person, any two (2) Senior Executives who shall have no interest (whether direct or indirect) in the Interested Person Transaction concerned and shall not be involved in the negotiations of the relevant contract or transaction shall compare the price and other associated costs (such as brokerage fees, foreign currency and bank commissions) offered by the Interested Persons against the price and associated costs (such as brokerage fees, foreign currency and bank commissions) of at least one (1) other quotation obtained from unrelated third parties for a Derivative Financial Instrument with similar terms. The CAO Group shall use such comparison as a basis when entering into the contract or transaction with the Interested Person, and such comparisons are to be documented. At the end of each trading day, the head of trading will then forward a report containing the quotations for comparison to the head of risk management as part of the Company's daily trading risk review procedures.

6.4 Review procedures for other categories of transactions with Interested Persons

In respect of any goods and/or services obtained from or provided to any Interested Person (other than the sale of aviation fuel pursuant to the Supply Agreements, any extension or renewal of the Supply Agreements, transactions under the BCA and the Interim Trading Agreement between the Company and BPS, and the purchase and sale of Petroleum Products and Derivative Financial Instruments):

- (a) All contracts entered into or transactions with an Interested Person are to be carried out by obtaining quotations (wherever possible or available) from at least two (2) other unrelated third party suppliers for similar quality services, prior to entry into the transaction with the Interested Person, as a basis for comparison to determine whether the price and terms offered by or to the Interested Person is comparable to those offered by unrelated third parties for the same or substantially similar type of services.
- (b) Where such quotations are not possible, available or commercially feasible to obtain given that there are no unrelated third party suppliers of similar services or the commercial sensitivity of the subject matter, any two (2) Senior Executives or such other persons as may be appointed by the Audit Committee who shall have no interest (whether direct or indirect) in the Interested Person Transaction concerned and shall not be involved in the negotiations of the relevant contract or transaction, will determine whether the price and terms offered by or to the Interested Person are fair and reasonable. In determining whether the price and terms offered by or to the Interested Person are fair and reasonable, factors such as, but not limited to, delivery schedules, quality of advice or training and track record will be taken into account.

6.5 For the avoidance of doubt, as supply of aviation fuel under the Supply Agreements and ad hoc supplies of aviation fuel to the CNAF Group are conducted at the predetermined terms and pricing set out in the Supply Agreements and the premium and margin as determined in accordance with paragraph 6.1 of this Annex II, such individual supply transactions are not separately subject to transactional review procedures. Similarly, individual supply transactions for supply of aviation fuel under Clause 3.1 of the Interim Trading Agreement (as referred to in the last sub-paragraph of paragraph 3.2.1 of this Annex II) which are conducted at the predetermined terms and pricing set out in the Interim Trading Agreement (or any renewal or extension of the Interim Trading Agreement which has taken place in accordance with paragraph 6.2 of this Annex II), shall also not be subject to transactional review procedures.

7. THRESHOLD LIMITS

7.1 The Audit Committee will review all of the CAO Group's Interested Person Transactions, including transactions covered under the IPT Mandate, on a quarterly basis. Where the value of an Interested Person Transaction with the same group of Interested Persons, namely BP Group or CNAF Group (when aggregated together with prior Interested Person Transactions entered into for a given month) exceeds the relevant threshold as set out in the table below, the Interested Person Transaction will be reviewed and approved by the Audit Committee prior to the entry into such transaction.

Transaction Type	Applicable Threshold*
Purchase and Sale of Petroleum Products	US\$210 million
Trading of Derivative Financial Instruments	US\$30 million
Supply Chain Services	US\$7 million

* Threshold based on aggregate value of the relevant type of transactions, calculated over a given month

7.2 For the purpose of determining whether the above thresholds have been exceeded, the value of the transaction relating to:

- (a) purchases and sales of Petroleum Products, shall be the aggregate value of the Petroleum Products payable or receivable from the Interested Persons; and
- (b) purchases and sales of Derivative Financial Instruments, shall be the mark-to-market value of the Derivative Financial Instruments calculated by using the market quoted forward curves published daily by Platts, and/or independent brokers' quotations.

8. GENERAL REVIEW PROCEDURES

Apart from the review procedures specific to the relevant transactions above, the following general review procedures will apply to all Interested Person Transactions under the IPT Mandate:

- (a) The finance department of the Company will maintain a register of transactions carried out with the Interested Persons pursuant to the IPT Mandate and the Company's internal audit plan will incorporate a review of all Interested Person Transactions transacted in the relevant FY pursuant to the IPT Mandate. Further, to ensure that all Interested Persons Transactions are duly recorded, the finance department shall maintain another list of all Interested Persons to enable it to check the Interested Person Transactions concluded against this list of Interested Persons.
- (b) The Audit Committee shall have overall responsibility for monitoring and approving the Interested Person Transactions and for determining the review procedures, with the authority to delegate such responsibility to individuals within the Company as it deems appropriate.
- (c) If any member of the Audit Committee has an interest in any of the Interested Person Transactions to be reviewed, such member shall abstain from any decision-making in respect of those transactions. The review and approval of those transactions will be undertaken by the remaining members of the Audit Committee.

If, during any reviews by the Audit Committee, it is of the view that the established review procedures are no longer appropriate or inadequate to ensure that the Interested Person Transactions will not be prejudicial to the interests of the Company and its minority Shareholders or any change of circumstances results in the assumptions underlying its opinion being no longer true, the Company will seek a fresh mandate from Shareholders based on new review procedures. All Interested Person Transactions shall be reviewed and approved by at least one (1) member of the Audit Committee prior to entry pending a fresh mandate to be sought from Shareholders. In the event that a member of the Audit Committee is interested in any such Interested Person Transaction, that member will abstain from reviewing that particular transaction.

LIST OF INTERESTED PERSONS

The list of Interested Persons with which the CAO Group intends to undertake transactions with, as well as the type of transactions to be undertaken pursuant to the IPT Mandate, are as follows:

A. BP Group Members

	Entity Name		Nature of Transactions
1.	BP Singapore Pte. Limited	-	Trading of Petroleum Products and Derivative Financial Instruments - Procurement of Shipping and Logistics Services
2.	BP Oil International Limited	-	Trading of Petroleum Products and Derivative Financial Instruments
3.	BP Products North America Inc.	-	Trading of Petroleum Products and Derivative Financial Instruments
4.	BP West Coast Products Inc.	-	Trading of Petroleum Products and Derivative Financial Instruments
5.	Britannic Energy Trading Limited	-	Trading of Petroleum Products and Derivative Financial Instruments
6.	BP Shipping Limited	-	Procurement of Shipping and Logistics Services
7.	BP Asia Ltd	-	Trading of Petroleum Products

B. CNAF Group Members

	Entity Name		Nature of Transactions
1.	China National Aviation Fuel Group Corporation (中国航空油料集团公司)	-	Trading of Petroleum Products
2.	China National Aviation Fuel Corporation Ltd (中国航空油料有限责任公司)	-	Trading of Petroleum Products
3.	China National Aviation Fuel South China Bluesky Corporation (华南蓝天航空油料有限公司)	-	Trading of Petroleum Products
4.	China National Aviation Fuel Yantai Corporation (中航油烟台有限公司)	-	Trading of Petroleum Products
5.	China National Aviation Fuel Nanjing Corporation (南京空港油料有限公司)	-	Trading of Petroleum Products
6.	China National Aviation Fuel Petroleum Co., Ltd (中国航油集团石油有限公司)	-	Trading of Petroleum Products Provision of Logistics Services

Entity Name	Nature of Transactions
7. China National Aviation Fuel Logistics Co., Ltd (中国航油集团物流有限公司)	- Procurement of Shipping and Logistics Services
8. Haixin Tanker Corporation (海鑫油轮运输有限公司)	- Procurement of Shipping Services
9. China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd (中国航油集团天津管道运输有限责任公司)	- Procurement of Logistics Services
10. China Aviation Oil Import & Export Company Limited (中航油进出口有限公司)	- Trading of Petroleum Products
11. China National Aviation Fuel (HongKong) Corporation (中国航油(香港)有限公司)	- Trading of Petroleum Products
12. Shenzhen Cheng Yuan Aviation Oil Company Limited (深圳承远航空油料有限公司)	- Trading of Petroleum Products
13. Shanghai Puhang Oil Co.,Ltd. (上海浦航石油有限公司)	- Procurement of Logistics Services
14. Tianjin International Petroleum Storage & Transportation Co., Ltd. (天津国际石油储运有限公司)	- Procurement of Logistics Services
15. North American Fuel Corporation (北美航油公司)	- Trading of Petroleum Products

Shareholders are to note that the list of Interested Persons, as well as the type of transactions to be undertaken, may change from time to time as a result of any internal restructurings that the CNAF Group or the BP Group may undertake.

For avoidance of doubt, Shareholders should note that the Company will not seek any separate approval from Shareholders in relation to any such addition of new entities to the list of Interested Persons set out in this Annex III.

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

Incorporated in Republic of Singapore
Company Registration No.: 199303293Z

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of China Aviation Oil (Singapore) Corporation Ltd (the “**Company**”) will be held at DBS Auditorium, Level 3, 6 Shenton Way, DBS Building Tower One, Singapore 068809 on Friday, 23 April 2010 at 3:30 p.m. (or soon thereafter following the conclusion or adjournment of the 16th Annual General Meeting of the Company to be held at 3:00 p.m. on the same day and at the same place), for the purpose of considering and, if thought fit, passing the following resolutions, with or without any amendment:

Ordinary Resolution (1)

Proposed Renewal of the General Mandate for Interested Person Transactions

That:

- (1) approval be and is hereby given for the renewal of the shareholders’ general mandate for the Company, its subsidiaries and associated companies which fall within the definition of entities at risk under Chapter 9 of the Listing Manual or any of them to enter into any of the transactions falling within the categories of interested person transactions set out in Annex II to the Company’s circular to Shareholders dated 29 March 2010 (the “**Circular**”), with any party who is of the class or classes of interested persons described in Annex II to the Circular, provided that such transactions are made on normal commercial terms and are not prejudicial to the Company and its minority shareholders, and are entered into in accordance with the review procedures for interested person transactions as set out in Annex II to the Circular (the “**IPT Mandate**”);
- (2) the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or until the date on which the next annual general meeting of the Company is required by law to be held, whichever is the earlier;
- (3) the audit committee of the Company (comprising independent directors Mr Ang Swee Tian, Dr Wang Kai Yuen and Mr Liu Fuchun, and non-executive, non-independent directors Dr Zhao Shousen and Mr Timothy Bullock as at the date of the Circular) be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) from time to time; and
- (4) the directors of the Company (the “**Directors**”) and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the IPT Mandate.

Ordinary Resolution (2)

Proposed Renewal of the Share Purchase Mandate

That:

- (1) for the purposes of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire fully paid issued ordinary shares in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (a) on-market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted (the “**Other Exchange**”); and/or
- (b) off-market purchase(s) if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);

- (2) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
 - (a) the date on which the next annual general meeting of the Company is held; and
 - (b) the date by which the next annual general meeting of the Company is required by law to be held; and
- (3) the Directors and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the Share Purchase Mandate.

For the purposes of this Resolution:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five (5) market days on which transactions in the Shares on the SGX-ST were recorded, before the day on which a market purchase was made by the Company or, as the case may be, the date of the announcement of the offer pursuant to an off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant period of five (5) market days;

“**Maximum Limit**” means that number of issued Shares representing ten per cent. (10%) of the total number of Shares excluding treasury shares as at the last annual general meeting or as at the date of the passing of this Resolution (whichever is the higher); and

“**Maximum Price**”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (a) in the case of an on-market purchase of a Share, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and
- (b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, one hundred and ten per cent. (110%) of the Average Closing Price of the Shares.

Ordinary Resolution (3)
Proposed Amendment of the China Aviation Oil Share Option Scheme

That:

- (1) the China Aviation Oil Share Option Scheme be amended in the manner as set out in paragraph 4.2 of the Circular; and
- (2) the Directors and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to this Resolution, including without limitation to the foregoing, to sign, execute and deliver all documents and approve any amendments, alterations or modifications to any document (if required).

By Order of the Board
CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

Doreen Nah
Company Secretary

29 March 2010

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 8 Temasek Boulevard, #31-02 Suntec Tower Three, Singapore 038988 not later than 3:30 p.m. on 21 April 2010.

PROXY FORM

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

Incorporated in the Republic of Singapore
Company Registration No.: 199303293Z

IMPORTANT

1. For investors who have used their CPF moneys to buy shares of China Aviation Oil (Singapore) Corporation Ltd, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or proposed to be used by them.

I/We _____ (Name) _____ (NRIC or Passport No.)

of _____ (Address)

being a member / members of China Aviation Oil (Singapore) Corporation Ltd (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her/them, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held at DBS Auditorium, Level 3, 6 Shenton Way, DBS Building Tower One, Singapore 068809 on 23 April 2010 at 3:30 p.m. (or as soon thereafter following the conclusion or adjournment of the 16th Annual General Meeting of the Company to be held at 3:00 p.m. on the same day and at the same place), and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matters arising at the Extraordinary General Meeting.)

Ordinary Resolutions	To be used on a Show of Hands		To be used in the event of a Poll	
	For	Against	No. of votes	No. of votes
			For	Against
To approve the renewal of the IPT Mandate				
To approve the renewal of the Share Purchase Mandate				
To approve the amendment to the China Aviation Oil Share Option Scheme				

Dated this _____ day of _____ 2010

Total Number of Shares Held	
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Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore (the “Act”)), you should insert that number. If you have Shares registered in your name in the Register of Members, you should insert that number. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company. If any proxy (other than the Chairman of the Meeting) is to be appointed, please insert the name(s) and particulars of the proxy or proxies to be appointed in the box provided.
3. If the Chairman of the Meeting is appointed as proxy, this instrument appointing a proxy or proxies shall be deemed to confer on him the right to nominate a person to vote on his behalf on a show of hands.
4. Where a member appoints more than one proxy, he shall specify the number of Shares to be represented by each proxy.

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Affix
postage
stamp

The Company Secretary
China Aviation Oil (Singapore) Corporation Ltd
8 Temasek Boulevard #31-02
Suntec Tower Three
Singapore 038988

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5. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at 8 Temasek Boulevard, #31-02 Suntec Tower Three, Singapore 038988 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or by an officer on behalf of the corporation.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Act.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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