



China Aviation Oil

**ACQUISITION OF 49% OF THE EQUITY
CAPITAL OF TSN-PEKCL**

9 January 2009



This presentation highlights information in the Circular to shareholders in relation to the proposed Acquisition and does not contain all of the information that should be considered before deciding on whether to approve of the proposed Acquisition. Shareholders should read and consider carefully the Circular in its entirety before giving their approval pertaining to the proposed Acquisition.



Agenda

I. Summary

II. Overview of TSN-PEKCL

III. Rationale

IV. Financial Effects

V. What Has Been Done



Summary

- CNAF, BP and CAO signed a non-binding MOU on 5 December 2005 regarding possible injection of strategic assets by CNAF and BP into CAO.
- Since then, CNAF, BP and CAO have been proactively trying to identify suitable operating assets to inject into CAO.



Summary

- CNAF to transfer 49% equity capital of CNAF TSN-PEK Pipeline Transportation Corporation Ltd (“TSN-PEKCL”) into CAO to fulfil its commitment to inject strategic assets into CAO.
- According to the Sale and Purchase Agreement signed by CAO and CNAF, the Acquisition Consideration is RMB 309.4m.
- Payable in Cash.



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Overview of TSN-PEKCL

- TSN-PEK was established on 6 November 2000. On 16 June 2008, TSN-PEKCL, which is wholly owned by CNAF, was registered as a limited liability company where all assets of TSN-PEK were transferred to TSN-PEKCL as TSN-PEK's successor-in-title.
- Provider of pipeline transportation services for the transport of jet fuel from Tianjin Nanjiang Port to Beijing Capital International Airport("Beijing Airport") and Tianjin Binhai International Airport("Tianjin Airport").



Overview of TSN-PEKCL

- Transported 90.5% and 41% of Beijing Airport's and Tianjin Airport's total jet fuel requirements respectively in 2007.
- Owns the longest multi-oil product underground pipeline with the largest pipe diameter and the highest transfer volume in China civil aviation industry ("Pipeline").
- Currently operating at 65% of the total capacity of the Pipeline of 3.25 million tons per year.



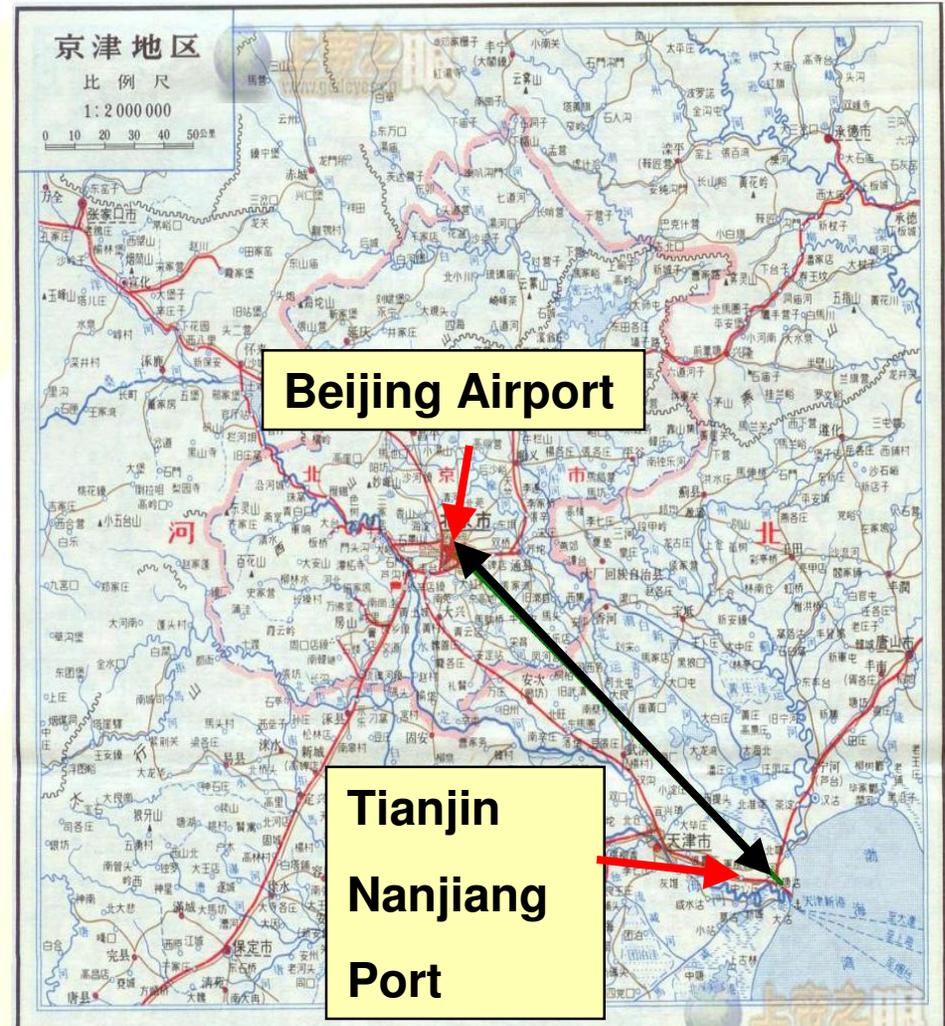
Overview of TSN-PEKCL





Overview of TSN-PEKCL

- 185-km Pipeline connects Tianjin Nanjiang Port, Tianjin Airport and Beijing Airport
- Presently the most cost-effective and cost-efficient means of transporting jet fuel from Tianjin Nanjiang Port to Beijing Airport and Tianjin Airport.





Overview of TSN-PEKCL



- **Nanjiang Station in Nanjiang Port, Tianjin**
 - Starting point leading to Tianjin Airport and Beijing Airport



Overview of TSN-PEKCL



- **Binhai Airport Station, Tianjin**
 - Located within Tianjin Airport



- **Beijing Airport Station**
 - Located within Beijing Airport



Overview of TSN-PEKCL



- 12-valve rooms along the pipeline, of which 9 are situated at ground level and 3 are semi-underground

- Expandable pipe connectors are set up



Overview of TSN-PEKCL

- Audited Financial information on TSN-PEKCL:

(SGD'000)	FY2005	FY2006	FY2007
Turnover	14,541	20,406	23,362
Net Profit	2,813	5,425	9,705
Non-current assets	49,539	37,613	36,186
Current Assets	21,971	30,541	41,906
Current Liabilities	3,629	2,391	10,847
Total Equity	67,880	65,764	67,245

Exchange Rate: RMB1,000=S\$206.60



Overview of TSN-PEKCL

Total Volume of Oil Transported via the Pipeline to Beijing Airport and Tianjin Airport since 2002.

Year	Volume of Oil Transported by Pipeline Unit: 10,000 tons		
	Total	Tianjin	Beijing
2002	78.12	1.26	76.86
2003	79.93	1.30	78.63
2004	120.34	2.40	117.94
2005	141.59	3.16	138.43
2006	198.97	4.85	194.12
2007	233.92	4.92	229.00



Overview of TSN-PEKCL

Percentage of Oil Transported by Pipeline over Airport Refuelling Volumes at Beijing Airport and Tianjin Airport since 2002.

Year	Tianjin Airport Refuelling Volumes Unit: 10,000 tons	Percentage	Beijing Airport Refuelling Volumes Unit: 10,000 tons	Percentage
2002	3.94	32%	126.57	61%
2003	4.50	29%	120.05	65%
2004	7.10	34%	164.32	72%
2005	7.20	44%	190.00	73%
2006	8.90	54%	223.00	87%
2007	12.00	41%	253.00	90.5%



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Rationale

- Acquisition is in line with CAO's strategy and a synergetic investment as CAO can directly participate in the business of supplying jet fuel to Beijing Airport and Tianjin Airport through TSN-PEKCL, which strengthens CAO's capacity to resell and supply jet fuel to buyers in the PRC in competitive terms and enables CAO to be an international energy company with an integrated supply chain for the procurement and logistics supply services for jet fuel and other oil-related products.



Rationale

- Acquisition further expands CAO's current business to include logistics as well, and further allows CAO to diversify its earnings base.
- An unusual opportunity to CAO-----acquisition of Pipeline project, a strategic and unique asset which is hard to find in the PRC.



Rationale

- TSN-PEKCL has exclusive rights to transport jet fuel from Tianjin Nanjiang Port to Beijing Airport via its Pipeline.
- Steady income streams expected from Pipeline business as Beijing Airport presently has the highest jet fuel consumption volume in China.
- Potential of maximising the transportation capacity of the Pipeline.



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Financial Effects

- Assuming the Acquisition had been effected at the beginning (for EPS) or end (for NTA) of FY2007, including gains from sale of CLH:

	FY2007	After Acquisition as at FY2007	Variation (%)
EPS (US\$)	0.233	0.237	+1.71%
NTA per share (US\$)	0.371	0.371	+0.00%



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What has been done

- CAO signed the Sale and Purchase Agreement and Joint Venture Agreement with CNAF following CAO's Board approval on 23 April 2008.
- Approval from SASAC and Ministry of Commerce have been obtained in October and November of 2008 respectively.



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Thank You