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

PROPOSED ACQUISITION OF 49% OF THE EQUITY CAPITAL OF CHINA AVIATION PIPELINE TRANSPORTATION CENTRE ("TSN-PEK")

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1. INTRODUCTION

The Board of Directors of China Aviation Oil (Singapore) Corporation Ltd (the **"Company"**) wishes to announce that the Company had entered into a sale and purchase agreement dated 23 April 2008 (the "**Agreement**") with China National Aviation Fuel Group Corporation (**"CNAF"**) to acquire 49% of the equity capital of TSN-PEK (the **"Equity Interest"**), a wholly owned subsidiary of CNAF, for the consideration of RMB309,421,810 or approximately S$ 59.78 million[1] payable by way of cash or the issue and allotment of new shares (the "**Consideration Shares**) in the capital of the Company, or a combination of both (the **"Proposed Acquisition"**).

2. INFORMATION REGARDING TSN-PEK

TSN-PEK is a company incorporated in the People's Republic of China (the **"PRC"**) and registered as a limited liability legal entity on 6 November 2000 with the Tianjin Municipal Administration for Industry and Commerce as a wholly-owned subsidiary of the CNAF. The establishment of TSN-PEK was approved by the Civil Aviation Administration of China.

With the head office located in Tianjin Airport, TSN-PEK is currently engaged in the business of providing transportation services for the jet fuel requirements of Beijing Capital International Airport and Tianjin Binhai International Airport (the "**Airports**"). TSN-PEK posseses the longest multi-oil product pipeline with the largest pipe diameter and the highest transfer volume in the Chinese aviation industry (the "**Pipeline**").

TSN-PEK is currently transporting approximately 88% of Beijing Captial International Airport's total jet fuel requirements and 41% of Tianjin Binhai International Airport's total jet fuel requirements. The remaining jet fuel requirements of the Airports are met largely by jet fuel transported by rail. Currently, the Pipeline is operating at 71% of its capacity.

3. RATIONALE FOR THE PROPOSED ACQUISITION

As previously announced to shareholders, the Company is in the process of evaluating the possibility of acquiring synergetic assets from its major shareholders, including CNAF. In keeping with this strategy, the Company is entering into the Proposed Acquisition as it represents a synergetic investment. Through the Proposed Acquisition, the Company can directly participate

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[1] Based on an exchange rate of RMB1=S$0.1932 as at 22 April 2008

in the business of transporting jet fuel to the Airports. The Pipeline, as the only underground pipeline mode of transportation of jet fuel to the Airports, is presently the most cost-effective and efficient means of transportation of jet fuel to the Airports.

4. PRINCIPAL TERMS

The Consideration is RMB309,421,810 (translated into S$59.78 million at the currency conversion rate of RMB1 = S$0.1932) and will be satisfied either by cash or the allotment and issuance of Consideration Shares at S$1.6128 per Share or a combination of both upon Completion to CNAF, according to the terms and subject to the conditions contained in the Agreement. The Consideration Shares will be issued fully paid and shall rank *pari passu* with the then-existing issued Shares.

CAO and CNAF shall agree on the method of payment of the Consideration, whether fully in cash or new Consideration Shares or a combination of both after approval has been obtained from the Tianjin Municipal Administration for Industry and Commerce and 10 working days before the date of Completion (as defined below).

The issue price of S$1.6128 for each Consideration Share represents the volume weighted average price of the Shares for trades done on the SGX-ST for the twenty (20) market days prior to the execution of the Agreement (the "VWAP"). The Company and CNAF agreed to fix the issue price of the Consideration Shares with reference to the VWAP in view of the current market volatility, and in particular, the price of the Shares. If the Consideration is to be satisfied in full by the issue of new Consideration Shares, 37,066,154 Consideration Shares will be allotted and issued to CNAF, representing 4.88% of the enlarged issued and paid-up capital of the Company.

The consideration was arrived at after arm's length negotiations between the Company and CNAF, on a "willing buyer and willing seller" basis.

5. CONDITIONS PRECEDENT

Completion of the Proposed Acquisition is conditional upon, *inter alia*, the satisfaction of the following conditions precedents at least 10 business days prior to date of completion of the Agreement (the **"Completion"**) (unless otherwise stated):

(a) the approval of the Board of Directors of the Company to enter into the Agreement and the transactions contemplated thereunder;

(b) the approval of shareholders being obtained for the Agreement and the transactions contemplated thereunder;

(c) CNAF obtaining all necessary approvals of the PRC governmental authorities that are necessary for the carrying out of the transactions contemplated under the Agreement including, but not limited to:

   i the approval of the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") and SASAC's waiver of the requirement for an auction and bidding procedure in relation to the transfer of the Equity Interest;

ii the approvals of the Ministry of Commerce and China Securities Regulatory Commission and relevant authorities regulating foreign investment in the PRC; and

iii the approval of the Tianjin Administration of Industry and Commerce in relation to the registration of TSN-PEK as a Sino-foreign equity joint venture.

(d) the Company obtaining all necessary approvals, consents and waivers from the SGX-ST for the listing and quotation of the Consideration Shares, and where such approval, consent or waiver are conditional, such conditions being fulfilled prior to the date of Completion.

Unless specifically waived by the Company, if any of the conditions precedent above are not fulfilled prior to Completion, the Agreement shall be deemed to be terminated by agreement whereupon all the rights and liabilities of the Company and CNAF thereunder shall cease and neither CNAF nor the Company shall have any claim against the other for costs, compensation damages, or otherwise save in respect of any antecedent breach of the Agreement.

6. CNAF'S UNDERTAKINGS

CNAF has, *inter alia,* given the following undertakings to the Company under the Agreement:

(a) it will not commit, allow or procure any act or omission which would result in the sale, transfer or disposal of any part of TSN-PEK's undertakings or assets, or property, or purchase, sale, transfer, disposal, lease or licence of any real property or any interest therein, other than in the ordinary course of business;

(b) it will exercise its voting rights to cause TSN-PEK to complete a capital reduction procedure prior to Completion such that an amount of RMB171.8 million will be returned to CNAF.

(c) t will repay all loan principal and interest amounts that are due and payable to TSN-PEK prior to the registration of TSN-PEK as a Sino-foreign equity joint venture with the Tianjin Municipal Administration for Industry and Commerce;

(d) it will assist TSN-PEK in all procedures to register TSN-PEK as a foreign-invested enterprise with the relevant PRC government authorities;

(e) it will assist the Company in making the necessary filings and applications for the approval and registration of the alteration of shareholders in TSN-PEK in compliance with the relevant legal procedures;

(f) it will exercise its voting rights in TSN-PEK to constitute a board of directors comprising of 5 directors, 3 of whom are to be nominated by CNAF and 2 of whom are to be nominated by the Company;

(g) it will indemnify the Company against any losses caused by any taxation liabilities incurred by TSN-PEK prior to or on Completion;

(h) it will guarantee to the Company that the net profit after tax of TSN-PEK in respect of the financial year 2008 shall not be less than RMB 47.28 million.

(i) it will procure its subsidiary, China National Aviation Fuel Corporation Ltd (**"CNAFCL"**) to enter into a 5-year term contract with TSN-PEK on or before Completion so that the Pipeline's capacity (after deducting 15 maintenance days annually) will be fully utilised for the transportation of jet fuel from Tianjin Nanjiang Harbour to Beijing Capital International Airport, to ensure TSN-PEK will have a revenue flow for the next 5 years; and

(j) it will exercise its voting rights to cause TSN-PEK to distribute 90% of its net profits after tax (after deducting tax, any amounts required to make good any past accumulated losses and any amounts to be transferred to statutory reserves of TSN-PEK) for each financial year.

7. PUT OPTION

Under the Agreement, CNAF will, on Completion grant the Company an option (the **"Put Option"**) to require CNAF to purchase the Equity Interest, exercisable by the Company after a 5-year period from the date of Completion, on the same valuation of TSN-PEK at RMB631,473,081 which is the equivalent of US$90.93 million at an exchange rate of RMB1.00=US$0.143. In the event the Put Option is exercised by the Company, a consideration ("**Saleback Consideration**") shall be RMB 309,421,810 less the accumulated dividends received by the Company from TSN-PEK. Payment of the Saleback Consideration shall be made in cash, in United States Dollars.

8. JOINT VENTURE AGREEMENT

In connection with the Proposed Acquisition and in accordance with the requirements of PRC law, the Company and CNAF have also entered into a joint venture agreement dated 23 April 2008 (the **"JVA"**) to govern their relationships as shareholders *inter se*. All rights and obligations under the JVA will be enforceable upon approval for the Enterprise Joint Venture (the "**EJV**") by the relevant PRC authority.

Salient terms of the JVA are as follows.

(a) CNAF and the Company will establish an EJV in Tianjin Municipality in accordance with the prevailing PRC laws and regulations;

(b) The EJV will be a limited liability company;

(c) Right of first refusal in the event that a party wishes to transfer or sell its equity interest in TSN-PEK;

(d) Unanimous approval of the Board is required in respect of the following matters:

    i Alterations to the Articles of Association of the EJV;
    ii Termination, dissolution or liquidation of the EJV or extension of the duration of the EJV;
    iii Increase in or any transfer of the registered capital of the EJV;
    iv Any amalgamation or merger of the EJV;
    v Pledging of any assets of the EJV; and

vi Annual Budget.

Except as aforesaid, other matters will require the majority approval of Directors present at the meeting.

(e) The Board of the EJV shall comprise 5 Directors, 3 of whom shall be nominated by CNAF and 2 of whom shall be nominated by CAO. The Chairman of the Board shall be nominated by CNAF and shall be the legal representative of the EJV;

(f) The Board shall meet at least once a year. The quorum for the Board meeting shall be 3, of whom at least one Director shall be a Director nominated by CNAF and one Director shall be a Director nominated by CAO;

(g) The General Manager of the EJV shall be nominated by CNAF. The Deputy General Manager shall be nominated by CAO. The General Manager and Deputy General Manager of the EJV shall be appointed by the Board;

(h) Commitment to distribute 90 percent of the distributable profits of the EJV every financial year in accordance to the JVA;

(i) Duration of the EJV will be 20 years from the date of issue of the business licence; and

(j) Dispute resolution by arbitration of which the arbitral tribunal shall be the China International Economic and Trade Arbitration Commission.

(k) Upon the expiration or early termination of the term of the EJV, or the dissolution of the EJV, the shareholders shall form a Liquidation Committee to liquidate the EJV and upon full payment of all its liabilities, the remaining assets of the EJV shall be distributed in proportion to the parties' respective capital contribution towards the registered capital of the EJV.

9. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION ASSUMING SHARES AS CONSIDERATION

Effect on NTA per share

The effects of the proposed Acquisition on the consolidated net tangible asset ("**NTA**") per share of the Company as at 31 December 2007, assuming that the proposed Acquisition had been effected at the end of the financial year 2007, are summarised below:

As at 31 December 2007	**Before the proposed Acquisition**	**After the proposed Acquisition**
NTA including gain on CLH	268,313,246	315,260,532
Number of shares issued	722,820,537	759,886,691
NTA per share – US cents	37.12	41.49
NTA excluding gain on CLH	133,513,166	180,460,452
Number of shares issued	722,820,537	759,886,691
NTA per share – US cents	18.47	23.75

Assumptions:

Assuming the issue price of S$1.6128 representing the volume weighted average price of the Shares for trades done on the SGX-ST for the twenty (20) market days prior to the execution of the Agreement.

Effect on EPS

Assuming that the proposed Acquisition had been effected at the beginning of the financial year 2007 and based on the Company's audited consolidated financial statements for the financial year ended 31 December 2007, the *pro forma* effects on the consolidated earnings of the Company are as follows:

As at 31 December 2007	**Before the proposed Acquisition**	**After the proposed Acquisition**
Earnings	168,333,972	171,033,939
Number of shares issued	722,820,537	759,886,691
Earnings per share-US cents	23.29	22.51
Earnings excluding gain on CLH	33,533,892	36,233,859
Number of share issued	722,820,537	759,886,691
Earnings per share-US cents	4.64	4.77

Assumptions:

Assuming the issue price of S$1.6128 representing the volume weighted average price of the Shares for trades done on the SGX-ST for the twenty (20) market days prior to the execution of the Agreement.

10. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION ASSUMING CASH AS CONSIDERATION

Effect on NTA per share

The effects of the proposed Acquisition on the consolidated net tangible asset ("**NTA**") per share of the Company as at 31 December 2007, assuming that the proposed Acquisition had been effected at the end of the financial year 2007, are summarised below:

As at 31 December 2007	**Before the proposed Acquisition**	**After the proposed Acquisition**
NTA including gain on CLH	268,313,246	271,013,213
Number of shares issued	722,820,537	722,820,537
NTA per share – US cents	37.12	37.49
NTA excluding gain on CLH	133,513,166	136,213,133
Number of shares issued	722,820,537	722,820,537
NTA per share – US cents	18.47	18.84

Effect on EPS

Assuming that the proposed Acquisition had been effected at the beginning of the financial year 2007 and based on the Company's audited consolidated financial statements for the financial year ended 31 December 2007, the *pro forma* effects on the consolidated earnings of the Company are as follows:

As at 31 December 2007	**Before the proposed Acquisition**	**After the proposed Acquisition**
Earnings	168,333,972	171,033,939
Number of shares issued	722,820,537	722,820,537
Earnings per share-US cents	23.29	23.66
Earnings excluding gain on CLH	33,533,892	36,233,859
Number of share issued	722,820,537	722,820,537
Earnings per share-US cents	4.64	5.01

11. LISTING MANUAL COMPUTATIONS

The relative figures that were computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006(a)

The basis of comparison set out in Rule 1006(a) of the Listing Manual is not applicable as Rule1006(a) only applies to disposal of assets.

Rule 1006(b)

Based on the audited financial statement of the Group for the year ended 31 December 2007, the net profit for that financial year on a consolidated basis (before income tax, minority interests and extraordinary items) was US$195.66 million. The net profits (before income tax) of TSN-PEK for the financial year ended 31 December 2007, based on its audited financial statements was approximately RMB70.6 million or US$10.1 million . Accordingly, the net profits (before income tax) attributable to the Equity Interest for the financial year ended 31 December 2007 would be approximately RMB34.6 million or approximately US$4.95 million based on the exchange rate of RMB1:US$0.143).

Accordingly, the net profit (before income tax) for the financial year ended 31 December 2007 attributable to the Equity Interest being acquired by the Company pursuant to the proposed Acquisition compared to the net profits on a consolidated basis (before income tax, minority interests and extraordinary items) of the Group for the financial year ended 31 December 2007 would be approximtely 2.53%.

Rule 1006(c)

The aggregate value of the proposed Acquisition amounts to 4.62 % of the Company's market capitalisation of approximately S$1.29 billion as at 22 April 2008. The market capitalisation of the Company is derived by multiplying the number of Shares in issue of 722,820,537 by the closing price of the Shares on the date preceding the date of the Agreement.

Rule 1006(d)

As at the date of this Circular, the Company has issued 722,820,537 Shares. The Consideration Shares (amounting to 37,066,154 Shares) compared with the currently issued Shares, is approximately 5.13%. The Consideration Shares compared with the number of issued Shares after the proposed Acquisition is approximately 4.88%.

The relative percentages under Rule 1006(b), Rule 1006(c) and Rule 1006(d) of the Listing Manual do not exceed 20%, thus bringing the proposed Acquisition outside the definition of a "major transaction" for the purposes of Chapter 10 of the Listing Manual.

12. INTERESTED PERSON TRANSACTION

The aggregate consideration payable by the Company to its holding company CNAF is RMB 309,421,810 (or equivalent to US$ 44.25 million, based on the exchange rate of RMB5.1760 to S$1.00). The latest audited NTA of the Company as at 31 December 2007 is US$268.31 million. Based on the above figures, the consideration payable to CNAF by the Company represents approximately 16.5% of the Groups latest audited NTA as at 31 December 2007 and is an interested person transaction that exceeds 5% of the Company's NTA pursuant to Rule 906 of the Listing Manual.

13. APPROVALS REQUIRED

The approval of the Shareholders (other than CNAF and its associates, who are to abstain from voting) will be required for the Proposed Acquisition because:

(a) the Proposed Acquisition is an Interested Person Transaction which value exceeds 5% of the Company's latest audited NTA; and

(b) the Consideration Shares are being issued and allotted to a substantial shareholder of the Company.

14. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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 Shareholders	Direct Interest (No. of Shares)	%	Deemed Interest (No. of Shares)	%
CNAF	-	-	*367,777,427	50.88
BPIA	144,564,119	20.00	-	-

* held through DBS Vickers Securities (Singapore) Pte Ltd

CNAF and its associates will abstain from voting on the resolution in relation to the Proposed Acquisition in respect of their shareholdings in the Company, at the extraordinary general meeting to be convened.

15. APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

CIMB-GK Securities Pte. Ltd has been appointed as the independent financial adviser ("**IFA**") to the independent Directors of the Company in respect to the Proposed Acquisition.

The Audit Committee will announce its views on the Proposed Acquisition separately, upon obtaining the advice and recommendation of the IFA.

A circular containing, inter alia, details of the Proposed Acquisition together with a notice of the extraordinary general meeting to be convened, the recommendation of the IFA to the Non-Interested Directors of the Company and the Statement of the Audit Committee will be despatched to the shareholders of the Company in due course.

16. RESPONSIBILITY STATEMENT

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

Where any information has been extracted from published or publicly available sources, the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

17. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company at 8 Temasek Boulevard, #31-02 Suntec Tower Three, Singapore 038988 for a period of 3 months from the date of this announcement.

By Order of the Board

Doreen Nah/Woon Yow Tsung
Company Secretaries
23 April 2008