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**PROPOSED SUBSCRIPTION OF 26 PERCENT OF THE EQUITY INTEREST OF
OILHUB KOREA YEOSU CO., LTD**

1. Introduction

The Board of Directors of China Aviation Oil (Singapore) Corporation Ltd (“**CAO**”) wishes to announce that CAO had today entered into a conditional stock subscription agreement (“**SSA**”) with Oilhub Korea Yeosu Co., Ltd (“**OKYC**”) in relation to CAO’s subscription of a 26-percent equity interest in OKYC for a total consideration of 34,128,120,000 Korean Won or approximately S\$37,462, 261 (“**Subscription Price**”) payable by way of cash (“**Proposed Subscription**”). Concurrent with the signing of the SSA, CAO has also entered into a commercial storage agreement with OKYC.

2. Information Regarding OKYC

OKYC, a company established under the laws of the Republic of Korea and registered as a joint stock corporation on 13 November 2008, is a joint venture among Korean National Oil Corporation (“**KNOC**”), SK Energy Co., Ltd (“**SK Energy**”) and GS Caltex Corporation (“**GS Caltex**”). KNOC presently holds 78 percent of the total equity of OKYC whilst SK Energy and GS Caltex each holding 11 percent of the total equity of OKYC.

The principal business of OKYC includes the construction, development, owning, operation, management and maintenance of a commercial bulk liquid storage terminal facility (including jetties) (“**Oil Storage Terminal Facility**”) in Yeosu, Jellanam-do, South Korea. During the first half of 2011, OKYC commenced engineering and civil construction works for the Oil Storage Terminal Facility which will have a total storage capacity of 8.18 million barrels for the storage of crude oil and other petroleum products.



3. Rationale for the Proposed Subscription

The Proposed Subscription will provide CAO the opportunity to enlarge its asset investment portfolio to diversify income streams. CAO will not only be able to derive good trading value by creating synergies with its oil trading activities but will also have more trading optionalities via access to long-range 2 vessels/very-large crude carriers, “in-tank transfers” with refineries and/or trading houses.

4. Salient Terms of the SSA

The salient terms of the SSA are as follows:

- (i) The Subscription Price of 34,128,120,000 Korean Won (translated into S\$37,462,261 at a currency conversion rate of SGD 1= 911 Korean Won) was arrived at after arm’s length negotiations between the Company and OKYC.
- (ii) The Subscription Price shall be payable by CAO to OKYC in two instalments i.e. five percent (5%) of the Subscription Price upon signing the SSA and the balance of ninety-five percent (95%) of the Subscription Price upon the completion of the Proposed Subscription. The Proposed Subscription will be fully funded from internal resources.
- (iii) Completion of the Proposed Subscription is conditional upon inter alia, the satisfaction of the following conditions precedent:
 - (a) OKYC obtaining all necessary governmental and/or regulatory authorities and/or third party approvals that are necessary for carrying out the transactions contemplated under the SSA (including but not limited to the Foreign Direct Investment Report required under Foreign Investment Promotion Act of Korea); and
 - (b) CAO obtaining all necessary governmental and/or regulatory authorities and/or third party approvals that are necessary for carrying out the transactions contemplated under the SSA.



5. Commercial Storage Agreement (“CSA”)

Under the terms of the CSA, CAO will lease tankage for an initial term of three (3) years from the commencement of the commercial operations of the Oil Storage Terminal Facility (“**Initial Term**”). Upon the expiry of the Initial Term, the CSA will be automatically renewed under the same terms and conditions, on a yearly basis for a maximum period of five (5) years.

6. Financial Effects of the Proposed Subscription

Assuming that the Proposed Subscription had been effected on 31 December 2010 (being the end of the most recent completed financial year of CAO), the net tangible assets per share of CAO would remain unchanged at 48.07 US cents.

Assuming that the Proposed Subscription had been effected on 1 January 2010 (being the beginning of the most recent completed financial year of CAO), the earnings per share of CAO would remain unchanged at 7.61 US cents.

7. Listing Manual Computations

The relative figures that were computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**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 Rule 1006(a) only applies to disposal of assets.

Rule 1006(b)

There is no net profit attributable to CAO in relation to its interest in OKYC as OKYC is not operational at the time of the Proposed Subscription.

Rule 1006(c)

The aggregate value of the Proposed Subscription amounts to 5.7% of CAO’s market capitalization of approximately S\$657,766,689 as at 7 October 2011. The market capitalization of CAO is derived by multiplying the number of shares of CAO (“**Shares**”) in issue of 722,820,537 by the closing price of the Shares on the date preceding the date of the SSA.



Rule 1006(d)

The basis of comparison set out in Rule 1006(d) of the Listing Manual is not applicable as Rule 1006(d) only applies to issue of new Shares as consideration for the Proposed Subscription.

The relative percentage under Rule 1006(c) of the Listing Manual does not exceed 20%, thus bring the Proposed Subscription outside the definition of a “major transaction” for the purposes of Chapter 10 of the Listing Manual.

8. Interests of Directors and Controlling Shareholders

As at the date of this Announcement, none of the Directors or the controlling shareholders of CAO have any interest (direct or indirect) in the Proposed Subscription.

By Order of the Board

Doreen Nah
Company Secretary
8 October 2011