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**INCORPORATION OF AN INDIRECT ASSOCIATED COMPANY
IN SHANGHAI FREE TRADE ZONE**

The Board of Directors (the “**Directors**”) of China Aviation Oil (Singapore) Corporation Ltd (the “**Company**”) is pleased to announce that an indirect associated company known as “Shanghai Liyuan Industrial Co., Ltd” (“**Shanghai Liyuan**”) has been registered as a limited liability enterprise in the Shanghai Free Trade Zone of the People’s Republic of China.

Shanghai Liyuan which has an initial registered capital of RMB 5 million (about US\$815,000), is wholly owned by China Aviation Oil Xinyuan Petrochemicals Co., Ltd (“**Xinyuan**”), a 39-percent associated company of the Company.

The principal activities of Shanghai Liyuan will include the supply and trading of petroleum products. The Legal Representative of Shanghai Liyuan is Mr. Wang Ligui, who is also the Chairman of Xinyuan.

The subscription by Xinyuan in the registered capital of Shanghai Liyuan is financed from the internal resources of Xinyuan. It will not have any material impact on the Company’s consolidated net tangible assets and earnings per share for the financial year ending 31 December 2014.

None of the Directors or controlling shareholders of the Company has any direct or indirect interest in the aforesaid transaction.

By Order of the Board

Doreen Nah
Company Secretary
Singapore, 10 March 2014