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PROPOSED ACQUISITIONS OF 100 PERCENT OF THE EQUITY INTERESTS IN (1) CHINA AVIATION OIL (HONG KONG) COMPANY LIMITED (“CAOHK”); AND (2) NORTH AMERICAN FUEL CORPORATION (“NAFCO”)

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of China Aviation Oil (Singapore) Corporation Ltd (the “**Company**” or “**CAO**”) wishes to announce that the Company had on 16 January 2012 entered into a sale and purchase agreement with China National Aviation Fuel Group Corporation (“**CNAF**”) for the purchase of 100 percent of the issued shares in the capital of CAOHK (the “**CAOHK S&P Agreement**”) at a consideration of HK\$91 million (or approximately US\$11.74 million¹) based on a reduced share capital of CAOHK of HK\$55,998,800 (as referred to in paragraph 4.3(b) below) (the “**CAOHK Acquisition**”).
- 1.2 The Board also wishes to announce that the Company had on 16 January 2012 entered into a sale and purchase agreement with CNAF for the purchase of 100 percent of the issued shares of NAFCO (the “**NAFCO S&P Agreement**”) at a consideration of US\$4 million (the “**NAFCO Acquisition**”, and together with the CAOHK Acquisition, the “**Proposed Acquisitions**”).

2. INFORMATION REGARDING CAOHK AND NAFCO

- 2.1 CAOHK, established in May 1998 and a wholly owned subsidiary of CNAF, is principally involved in the business of jet fuel trading and supply of jet fuel to airline companies at various airports including Hong Kong, London, Taiwan and the domestic airports of the People’s Republic of China (the “**PRC**”), including Shenzhen Airport.
- 2.2 NAFCO, registered in the State of Delaware, the United States of America (the “**USA**”), in April 2008, and also a wholly owned subsidiary of CNAF, commenced business as agents and wholesalers of jet fuel in the USA. In January 2011, NAFCO commenced its agency business for local fuel suppliers and major Chinese airline companies. NAFCO also supplies jet fuel directly to Chinese airline companies.
- 2.3 As at 30 April 2011, the book value and net tangible asset (“**NTA**”) value of the shares in CAOHK to be acquired by CAO pursuant to the CAOHK Acquisition is HK\$175.2 million (approximately US\$22.6 million) and the book value and net tangible asset (“**NTA**”) value of the shares in NAFCO to be acquired by CAO pursuant to the NAFCO Acquisition is US\$3.6 million, amounting in aggregate to US\$26.2 million.

¹ Based on an exchange rate of HK\$1=US\$0.129 as at 13 January 2012



3. RATIONALE FOR THE PROPOSED ACQUISITIONS

The Proposed Acquisitions are in line with the CAO group's strategy to expand and extend its global trading network through establishing its presence in Hong Kong and the USA thereby enhancing its competitiveness.

The Proposed Acquisitions are also synergetic to CAO's core business of jet fuel supply and trading and are expected to create avenues for further growth of the CAO group.

4. SALIENT TERMS OF THE PROPOSED ACQUISITIONS

- 4.1 The aggregate consideration for the Proposed Acquisitions is US\$15.74 million (or approximately S\$20.30 million²) which comprises NAFCO valued at US\$4 million; and CAOHK valued at US\$11.74 million. The consideration for the Proposed Acquisitions will be fully satisfied in cash.
- 4.2 The aforesaid aggregate consideration was arrived at after arm's length negotiations between the Company and CNAF, on a "willing buyer and willing seller" basis
- 4.3 Completion of the CAOHK Acquisition under the CAOHK S&P Agreement is conditional upon, *inter alia*, the satisfaction of the following conditions precedent:
- (a) CNAF obtaining all necessary approvals of the PRC governmental authorities that are necessary for the carrying out of the transactions contemplated under CAOHK S&P Agreement;
 - (b) CAOHK having reduced its share capital by HK\$100 million pursuant to the Hong Kong Companies Ordinance; and
 - (c) CAO obtaining all necessary approvals including where necessary, the approval of shareholders for the carrying out the transactions contemplated under the CAOHK S&P Agreement.
- 4.4 Completion of the NAFCO Acquisition under the NAFCO S&P Agreement is conditional upon, *inter alia*, the satisfaction of the following conditions precedent:
- (a) CNAF obtaining all necessary approvals of the PRC governmental authorities that are necessary for the carrying out of the transactions contemplated under NAFCO S&P Agreement; and

² Based on an exchange rate of US\$1=S\$1.29 as at 13 January 2012



- (b) CAO obtaining all necessary approvals including where necessary, the approval of shareholders for the carrying out the transactions contemplated under the NAFCO S&P Agreement.

4.5 In the event that the share capital of CAOHK is not reduced by HK\$100 million on or before the completion of the Proposed Acquisitions for any reason whatsoever, the sale and purchase of 100 percent of the issued shares of CAOHK will be at HK\$191 million (or approximately US\$24.64 million) based on its existing share capital of HK\$155,998,800. If CAO decides to proceed with the acquisition of CAOHK at the consideration of HK\$191 million (or approximately US\$24.64 million) based on the existing share capital of CAOHK, the completion of the Proposed Acquisitions will be subject to the prior approval of the shareholders of the Company pursuant to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") (please refer to paragraph 7.2 of this announcement). An independent financial adviser ("**IFA**") will be appointed to advise the independent Directors in respect of the Proposed Acquisitions and the Audit Committee will announce its views on the Proposed Acquisitions separately based the advice and recommendation of the IFA.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITIONS

5.1 The Proposed Acquisitions are earnings accretive but are not expected to have a material impact on the NTA and earnings per share of the CAO group for the financial year ending 31 December 2012.

6. LISTING MANUAL COMPUTATIONS

6.1 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 Rule 1006(a) only applies to disposal of assets.

Rule 1006(b)

Based on the unaudited financial statement of the CAO group for the 9-month period ended 30 September 2011, the net profit for that period on a consolidated basis (before income tax, minority interests and extraordinary items) was US\$59.69 million. The net profit (before income tax) of CAOHK for the same period based on its management



accounts was HK\$19.328 million (or approximately US\$2.49 million). The net profit (before income tax) of NAFCO for the same period was approximately US\$294,480. Accordingly, the aggregate net profits (before income tax) attributable to the equity interests in CAOHK and NAFCO (the “**Equity Interests**”) for the 9-month period ended 30 September 2011 would be approximately US\$2.78 million.

Accordingly, the net profit (before income tax) for the 9-month period ended 30 September 2011 attributable to the Proposed Acquisitions taken together compared to the net profits on a consolidated basis (before income tax, minority interest and extraordinary items) of the CAO group based on the unaudited financial statements of the CAO group for the 9-month period ended 30 September 2011 would be approximately 4.66%.

Rule 1006(c)

The aggregate value of the consideration for the Proposed Acquisitions (i) based on the reduced share capital of CAOHK of HK\$55,998,800, amounts to 2.63% of the Company’s market capitalisation of approximately S\$770.816 million as at 13 January 2012; and (ii) based on the existing share capital of CAOHK of HK\$155,998,800, amounts to 4.79% of the Company’s market capitalisation of approximately S\$770.816 million as at 13 January 2012. The market capitalisation of the Company is derived by multiplying the number of CAO shares in issue of 722,820,537 by the weighted average price of the CAO shares on the date preceding the date of the CAOHK S&P Agreement and NAFCO S&P Agreement.

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 CAO shares as consideration for the Proposed Acquisitions.

7. INTERESTED PERSON TRANSACTIONS UNDER CHAPTER 9 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”)

- 7.1 The Proposed Acquisitions are entered into with the Company’s controlling shareholder, CNAF. The aggregate consideration payable by the Company to CNAF based on a reduced share capital of CAOHK is US\$15.74 million. The latest audited NTA of the Company as at 31 December 2010 is US\$345 million. Based on the above figures, the aggregate consideration for the Proposed Acquisitions payable to CNAF by the Company based on a reduced share capital of CAOHK represents approximately 4.56% of the CAO group’s latest audited NTA as at 31 December 2010, which exceeds 3% of the Company’s NTA pursuant to Rule 905 of the Listing Manual. As the aggregate consideration for the Proposed Acquisitions payable to CNAF does not exceed 5% of the



Company's NTA pursuant to Rule 906 of the Listing Manual, the approval of the shareholders of the Company will not be required.

- 7.2 However, as referred to in paragraph 4.5 above, in the event that the share capital of CAOHK is not reduced by HK\$100 million on or before the completion of the Proposed Acquisitions for any reason whatsoever, and if CAO decides to proceed with the acquisition of CAOHK at a consideration of HK\$191 million (or approximately US\$24.64 million) based on the existing share capital of CAOHK, the aggregate consideration payable by the Company to CNAF is US\$28.64 million. The latest audited NTA of the Company as at 31 December 2010 is US\$345 million. Based on the above figures, the aggregate consideration for the Proposed Acquisitions payable to CNAF by the Company represents approximately 8.30% of the Group's latest audited NTA as at 31 December 2010, which exceeds 5% of the Company's NTA pursuant to Rule 906(1)(a) of the Listing Manual. The Proposed Acquisitions will therefore be subject to the approval of the shareholders of the Company (other than CNAF and its associates) if the share capital of CAOHK is not reduced as provided in paragraph 4.3(b) above, and CAO proceeds with the acquisition of CAOHK at a consideration of HK\$191 million.
- 7.3 The current total of all interested person transactions with the CNAF group for the financial year ending 31 December 2012 (including transactions entered into under the general mandate for interested person transactions, which was last renewed at the extraordinary general meeting of the Company held on 28 April 2011) amounts to approximately (i) US\$110.45 million (if the CAOHK Acquisition is based on the reduced share capital of CAOHK) or (ii) US\$123.35 million (if the CAOHK Acquisition is based on the existing share capital of CAOHK). The current total of all interested person transactions for the current financial year ending 31 December 2012 (including transactions entered into under the general mandate for interested person transactions, which was last renewed at the extraordinary general meeting of the Company held on 28 April 2011) amounts to approximately (i) US\$178.49 million (if the CAOHK Acquisition is based on the reduced share capital of CAOHK) or (ii) US\$191.39 million (if the CAOHK Acquisition is based on the existing share capital of CAOHK).

8. Audit Committee's Statement

Subject to paragraph 4.5 above, the Audit Committee of CAO is of the view that the Proposed Acquisitions are on normal commercial terms and are not prejudicial to the interests of CAO and its minority shareholders.



9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

9.1 As at the Latest Practicable Date³, interests of the Directors in the shares of CAO, as extracted from the Register of Directors' Shareholding, are set out below:

Name of Director	Direct Interest (No. of Shares) ⁽¹⁾	%	Deemed Interest (No. of Shares) ⁽¹⁾	%
Wang Kai Yuen	-	-	100,000 ⁽²⁾	0.014

Notes :

(1) There are 716,820,537 issued shares in the capital of CAO as at the Latest Practicable Date (excluding treasury shares)

(2) Held through spouse

9.2 As at the Latest Practicable Date, interests of the controlling shareholders of CAO in the shares of CAO are set out below:

Name of Controlling Shareholders	Direct Interest (No. of Shares) ⁽⁴⁾	%	Deemed Interest (No. of Shares) ⁽⁴⁾	%
CNAF	-	-	367,777,427 ⁽³⁾	51.31
BP Investments Asia Limited	144,564,119	20.17		

Notes:

(3) Held through DBS Vickers Securities (Singapore) Pte Ltd

(4) The number of shares excludes treasury shares held by CAO

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the CAOHK S&P Agreement and the NAFCO S&P Agreement are 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 three (3) months from the date of this announcement.

By Order of the Board

Doreen Nah
Company Secretary
17 January 2012

³ As at 13 January 2012