



China Aviation Oil (Singapore) Corporation Ltd

Incorporated in the Republic of Singapore
Registration No.: 199303293Z

PROPOSED SALE OF 3,502,923 REGISTERED VOTING SHARES OF CLASS C OF PAR VALUE €1.20 EACH IN COMPANIA LOGISTICA DE HIDROCARBUROS CLH, S.A. ("CLH") FOR AN AGGREGATE CONSIDERATION OF €171 MILLION

Singapore, 24 January 2007

1. Introduction

The Board of Directors ("Board") of China Aviation Oil (Singapore) Corporation Ltd ("the Company") is pleased to announce that the Company has today entered into a conditional Share Purchase Agreement ("SPA") with Caixa de Aforros de Vigo Ourense e Pontevedra ("Caixanova" or "the Purchaser") for the sale of 3,502,923 registered voting shares in CLH ("CLH Disposal Shares") for an aggregate consideration of € 171 million ("the Consideration") upon the terms and subject to the conditions in the SPA ("the Proposed Transaction").

2. Principal Terms.

2.1 Consideration.

Under the SPA, the Company will, upon payment of the Consideration, be disposing of its CLH Disposal Shares together with all rights accessory and inherent to the shares, including all economic rights attaching to the shares at the date of the SPA.

The Consideration for the CLH Disposal Shares is payable simultaneously with the transfer of the CLH Disposal Shares at completion. The Consideration was arrived at through a competitive bidding process.

2.2 Condition precedent.

The Proposed Transaction is conditional upon the Company obtaining the approval of its shareholders in an Extraordinary General Meeting.

In the event this condition precedent is not satisfied within the date falling six months following execution of the SPA, the SPA shall be ineffective and neither the Company nor the Purchaser shall have any liability to each other under the SPA.

3 Information on CLH.

CLH was incorporated under the name Compañía Arrendataria del Monopolio de Petróleos, S.A. ("CAMPESA") in 1927 to administer the oil monopoly for the State of Spain. Following deregulation of the oil industry, CLH's activities and corporate name were modified in 1993 and CLH adopted its present name. CLH's activities include the provision of logistics services for the storage, transportation and distribution of all kinds of hydrocarbons and chemical products, their by-products and waste, as well as providing counseling and technical assistance in respect of such services.

CLH is a Spanish joint stock company whose shares are listed on Spain's four stock exchanges.

4 Information on the Purchaser.

Caixanova is a savings banks formed in 2000 as a result of a merger between Caixavigo, Caixa Ourense and Caixa Pontevedra. It is a private financial institution with three predecessor Spanish financial institutions with some 469 branches.

5 Rationale and use of proceeds.

Pursuant to the Creditors' Scheme dated 24 May 2005 between the Company and its creditors which became effective on 28 March 2006, the Company has a balance Deferred Debt obligation of US\$132.6 million to the Creditors which is to be repaid over a period of five years, with the first installment of US\$62.2 million being due and payable on 28 March 2007.

The Company previously announced that the Deferred Debt would be repaid from sources including the cash flows from its operations, dividends from the Company's investments, the sale of the investment in CLH and a refinancing exercise.

On 26 October 2006 the Company announced that it had commenced a process to consider the sale of its 5% interest in CLH and had appointed Deloitte & Touche Corporate Finance as its financial adviser in this regard. The financial advisors assisted the Company to conduct a highly competitive sale process. Following completion of a first round of offers, short-listed candidates were selected to enter into further discussions before submission of final offers. The company then entered into negotiations with the Purchaser resulting in the Proposed Transaction. Stamford Law Corporation, together with Deloitte Legal Spain, have been appointed the Company's legal advisors in relation to the Proposed Transaction.

The Proposed Transaction is being undertaken pursuant to the Company's announcement that part of the proceeds of the Proposed Transaction will be used to satisfy the first installment of the Deferred Debt and enable the Company to reduce its borrowings significantly.

The Directors are considering various options for the use of the surplus sale proceeds after repayment of the Deferred Debt and will take into consideration the capital structure

of the Group, the need for funds for investment and working capital, the ability of the company to further reduce its debt obligations and a stable dividend policy. The Directors will make the appropriate announcements when necessary.

6 Financial effects.

Assuming that Closing takes place, the proforma financial effects on the share capital, EPS and NTA of the Group are set out below. The proforma financial effects have been prepared based on the last available audited consolidated financial results for FY2005 (the "FY2005 Results") and the latest available quarterly financial results for the Group for the period ended 30 September 2006 (the "3Q2006 Results"). The proforma financial effects are purely for illustration purposes only and do not reflect the actual financial position of the Group after completion.

6.1 Consideration and gain on disposal

The consideration of €171 million amounts to S\$ 341.9 million of gross proceeds. After deduction of the applicable taxes and transaction costs the net proceeds receivable are expected to be approximately S\$ 298.0 million. As at 30 September 2006, the book value of CAO's investment in CLH was approximately S\$ 115.0 million. Based on the net proceeds to be received of S\$ 298.0 million, this represents an estimated net profit on the sale of S\$ 183.0 million

CLH's share capital consists of 3 classes of shares totaling 70,058,450 shares, with each share carrying the same financial, voting and other rights. Two of the classes of shares which represent approximately 2.54% of CLH's share capital, are listed on the Spanish Stock Exchange and for illustration, as of 23 January 2007, being the last Market Day prior to the date of the SPA, the quoted price of CLH shares was €36.60 per share. The Consideration for the Proposed Transaction represents a price per share of €48.82, a premium of €12.22 per share or 33.4% to the quoted share price, although the class of shares that CAO owns in CLH are not listed on any stock exchange

6.2 Share capital.

The Proposed Transaction will not have any impact on the issued and paid up share capital of the Company.

6.3 Net Tangible Assets.

For illustrative purposes and assuming that the Proposed Transaction was completed on 31 December 2005 (in the case of the proforma financial effects based on the FY2005 Results) and 30 September 2006 (in the case of the proforma financial effects based on the 3Q2006 Results), the proforma financial effects on the consolidated NTA of the group are as follows, all figures in S\$ millions except per share figures:

	FY2005		30 September 2006	
	S\$ millions	Per share ⁽¹⁾	S\$ millions	Per share ⁽¹⁾
NTA ⁽²⁾	(650.4)	(0.67)	172.1	0.24

Proforma NTA ^{(2) (3)}	(467.4)	(0.48)	355.1	0.49
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Notes

(1) Based on 967,679,992 shares in issue as at 31 December 2005 and 722,820,537 shares in issue as at 30 September 2006.

(2) Based on shareholders equity excluding minority interests as at 31 December 2005 and 30 September 2006.

(3) Based on the estimated gain on the sales proceeds of S\$ 183.0 million

6.4 Earnings.

For illustrative purposes only and assuming that the Proposed Transaction was completed on 1 January 2005 (in the case of the proforma financial effects based on the FY2005 Results) and 1 January 2006 (in the case of the proforma financial effects based on the 3Q FY2006 Results), the proforma financial effects on the consolidated earnings of the Group are as follows, all figures in S\$ millions except per share figures:

	FY2005		30 September 2006	
	S\$ millions	Per share ⁽¹⁾ S\$	S\$ millions	Per share ⁽¹⁾ S\$
Net profit after tax	12.7	0.013	369.4	0.511
Net profit after tax (after adjustment for dividend) ⁽²⁾	3.3	0.003	365.2	0.505
Proforma NPAT ⁽³⁾	186.3	0.193	548.2	0.758

Notes:

(1) Based on 967,679,992 shares in issue as at 31 December 2005 and 722,820,537 shares in issue as at 30 September 2006.

(2) Based on CLH gross dividend of S\$11.0 million less withholding tax at 15% for FY2005 and CLH gross dividend of S\$5.0 million less withholding tax at 15% for 30 September 2006.

(3) Based on adjusted net profits of S\$3.3 million and an estimated gain on the sales proceeds of S\$ 183.0 million as at 1 January 2005, and adjusted net profit of S\$365.2 million and an estimated gain on the sales proceeds of S\$ 183.0 million as at 1 January 2006.

6.5 Major Transaction.

The relative figures for the Proposed Transaction computed on the bases set out in Rule 1006 ("Rule 1006") of the Listing Manual are as follows:

Rule 1006	Bases	Proposed Transaction (S\$ million)	Group (S\$ million)	Relative figures (%)
(a)	Net asset value ⁽¹⁾ of the assets to be disposed pursuant to the Proposed Transaction compared with the Group's NAV as at 30 September 2006	115.0	172.1	66.8
(b)	Net profits attributable to the assets to be disposed of pursuant to the Proposed Transaction compared with the Group's net profits for the	4.9 ⁽²⁾	372.1	1.1

	period ended 30 September 2006			
	Adjusted net profits attributable to the assets to be disposed of pursuant to the Proposed Transaction compared with the Group's net profits for the period ended 30 September 2006	4.9 ⁽²⁾	37.7 ⁽³⁾	13.2
(c)	Consideration to be received for the Proposed Transaction compared with the Group's market capitalisation ⁽⁴⁾	341.9	759.0	45.0

Notes:

- 1) Net asset value has been calculated on the basis of total assets less total liabilities as at 30 September 2006.
- 2) Net profits have been calculated on the basis of the gross dividends received by CAO from CLH compared to CAO's net profit before tax for the nine months ending 30 September 2006.
- 3) The adjusted net profit has been calculated excluding the effect of the waiver of debts (S\$372.1 million) and other expenses (S\$22.8 million) related to the restructuring of CAO's debts under the Creditors' Scheme, as this was a significant non-recurring event.
- 4) Market capitalisation has been calculated on the basis of 722,820,537 shares in issue as at 23 January 2007 multiplied by the weighted average price of shares transacted on 23 January 2007, being the Market Day Shares were last traded prior to the date of the SPA..

As the relative figures under Rules 1006(a) and (c) exceed 20%, the Proposed Transaction constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Transaction is subject to the approval of Shareholders.

7 Shareholders' approval.

A circular to Shareholders ("Circular") setting out information on the Proposed Transaction, together with a notice of the EGM to be convened will be dispatched to Shareholders in due course.

8 Interests of Directors and Controlling Shareholders.

Save as disclosed below and in Appendix 3 of this Circular, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Proposed Transaction.

9 Documents for inspection.

Copies of the SPA dated 24 January 2007 are available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excepted) for three months from the date of this announcement.

By Order of the Board

Adrian Chang
Company Secretary