China Aviation Oil (Singapore) Corporation Ltd
中国航油（新加坡）股份有限公司

China Aviation Oil To See Increased Jet Fuel Tenders In Third Quarter.

14/07/03
* New Demand Pushes Up Q3 Procurement Volume By 48%
* Three Pronged-Strategy Paying Off, With All Businesses Capable Of Second-Half Growth

Singapore, 14 July 2003- The Board of Directors of China Aviation Oil (Singapore) Corporation Ltd ("CAO") wishes to announce that the volume of jet fuel procurement tenders planned for the third quarter of 2003 has been upgraded by about 48% to accommodate additional demand.

Managing Director and CEO Chen Jiulin said, "The increase in China's demand for jet fuel imports is remarkable. It is becoming apparent that the effects of SARS will prove to have been short-term. Our three-pronged strategy of strategic investment, international oil trading and jet fuel procurement has proven to be well-protected against shocks such as SARS. When times were rough, our diversified investments and international oil trading provided a cushion.

"Now that markets are rebounding, demand for jet fuel boosts our procurement tenders. It also helps our associate Shanghai Pudong International Airport Aviation Fuel Supply Company ("SPIA/AFSC") post greater turnover and profits. In addition, overall growth in jet fuel demand leads to increased activity in other oil products as well, and this helps our international oil trading operations. So in the same way that our three-pronged strategy provides diversification on the downside, it provides synergy on the upside."

Increased tender volumes

The original plan for third-quarter procurement involved planned volumes of around 145,000 metric tonnes, with two cargoes of 30,000 metric tonnes going to Tianjin and two to Shanghai, and the remainder going to Bluesky in Southern China. So far this quarter, the Southern China tender has been covered.

New demand is adding an additional 71,000 metric tonnes for the quarter, however. A third standard cargo to Tianjin, amounting to 30,000 metric tonnes, will be included. There will be a further 41,000 metric tonnes shipped on an FOB basis.

In total, CAO is now looking at tenders of 216,000 metric tonnes for the quarter, compared with the 145,000 metric tonnes previously estimated. This represents a 48% upward revision in forecast quarterly volumes.

Improved environment

These additional volumes arise because a corner has been turned in environmental conditions. SARS is under control, and air travel is recovering to pre-crisis levels. China's economic growth appears to have been largely unaffected by SARS, with official forecasts of GDP growth for 2003 remaining at or above 7%. Already, first-half growth has surprised to the upside, with, for instance, GDP growth for Shanghai at 11.4% year-on-year in the first half. Naturally this will benefit our 33% associated Pudong aviation oil company.

Broad expansion of scale

At the company level, CAO's prospects are equally positive. In the main arena of strategic investment, SPIA/AFSC has seen recovery in jet fuel supply volumes, as carriers increase flight numbers at the airport. Monthly data is already showing recovery: following a drop from 4,777 flights in April to 2,636 flights in May, airlines increased flight numbers to 3,149 in June. This will be the first full year in which Shanghai Pudong International Airport handles all international flights for Shanghai; there was only one quarter of such volume in 2002.

International oil trading has also seen a significant increase in scale. In June, the company sold 160,000 metric tones of gasoil in an unprecedented transaction. As to the future, it is clear that trading activities will continue to grow. Besides the effects on demand of China's rebound from SARS, increased Asian refinery runs going into the pre-winter production season will contribute to the broad-based advances in volumes.

Three-way growth

Strategic investments, international oil trading operations and now jet fuel procurement are thus all on track to show significant growth in the current quarter. Further normalization of procurement volumes should be seen in the fourth quarter as well.

CAO's Chairman Jia Changbin said, "CAO has survived the difficulties of the second quarter of 2003 and emerged stronger than ever. Our prospects are bright in all three of our strategic directions. We will continue to create value for our shareholders throughout the year, and into the long term."

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About China Aviation Oil (Singapore) Corporation Ltd ("CAO")

Listed on SGX in December 2001, CAO is leveraging on the rapidly growing Chinese aviation industry to become a global market player on the premise of its three-pronged strategy to stabilise and enhance profit streams. The only publicly listed entity of its parent company, China Aviation Oil Holding Company, a large state-owned aviation transportation logistics group, CAO is the centrepiece of CAOHC's strategy to expand into international markets and invest in the global oil-related industry.

CAO holds a 33% stake in Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd (SPIA/AFSC), Pudong airport's sole jet fuel supplier and owner of its refuelling and storage facilities. It also has a strategic 5% stake with board representation in Compania Logistica de Hidrocarburos (CLH), Spain's leading oil carrier and owner of its largest network of oil pipelines and storage facilities. Today, CAO trades globally in fuel oil, gas oil, crude oil, petrochemical products and oil derivatives and handles virtually 100% of China's total jet fuel imports. Annual sales revenue was S$1.69 billion in 2002 and market scope has expanded beyond China to ASEAN, the Far East and USA.