



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

Press Release - China Aviation Oil Third-Quarter 2003 Jet Fuel Volumes to Reach Record Levels

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SINGAPORE, 8 September ? SGX Main Board-listed China Aviation Oil (Singapore) Corporation Ltd ("CAO") has purchased two spot jet fuel cargoes in the first days of September, allowing it to forecast that the July-September quarter of 2003 ("3Q2003") will reach record volumes. Current 3Q2003 estimates of 543,000 metric tonnes (MT) are 12% higher than company forecasts as of August.

The impact of SARS on tenders was felt most acutely in the April-June quarter of 2003 ("2Q2003"). However, the level of shipments currently anticipated for September suggest that demand has not merely normalised but indeed has resumed an aggressive growth trajectory.

Managing Director and CEO Mr Chen Jiulin said, "It is increasingly clear that the Chinese aviation sector has once again taken off. CAO will benefit from this recovery not merely through its procurement volumes, but even more significantly through its fuel supply associate at the Pudong airport.

"These developments endorse what we have been saying for some time - namely, that our three-pronged strategy works. We have strategic investments, international oil trading activities and jet fuel procurement operations, and these three businesses provide diversification in difficult times and synergies in periods of recovery," he said.

Volumes boosted by unexpected demand

Typically CAO ships two 30,000-metric-tonne cargoes apiece to Tianjin and Shanghai each month, as well as smaller volumes to South China. The impact of SARS was such that several shipments to Tianjin and Shanghai were deferred during 2Q2003. Following two spot purchases of roughly 55,000 MT in total in early September, however, the schedule for this month has reached a total of seven cargoes, comprising five to Tianjin and Shanghai and two to South China. Including the roughly 350,000 MT tendered for in July and August (including one 40,000 MT cargo bound for the US West Coast), the total for the quarter is currently slated to reach 543,000 MT, a new record.

Second-half recovery underway

CAO announced 2Q2003 results on 29 August. For the quarter, profits rose 42% year-on-year to S\$11.3 million, thanks to positive contributions by its investments and international oil trading, and despite weak volumes on the procurement side. In its announcement of these results, CAO forecast that procurement volumes for the October-December quarter ("4Q2003") would reach an all-time high of 438,000 MT, the figure given in its official 4Q2003 tender document. However, it is now clear that this figure has already been exceeded and the record broken in 3Q2003.

CAO Chairman Mr Jia Changbin said, "We are elated by the unexpected strength in China's demand for jet fuel. Mere days after announcing our cautious optimism for the second half of the year, we have evidence that such hopes are fully justified. CAO's sound business strategy and focused management practises put it in good stead to benefit from the prosperous times ahead."

By Order of the Board
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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.