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

Press Release: CAO-SPIA/AFSC JV Obtains Business License From Shanghai Government

28/12/02

Singapore, 28 December 2002 - Mainboard listed China Aviation Oil (Singapore) Corporation Ltd ("CAO"), the dominant supplier of jet fuel imports to China's civil aviation industry, and a strategic investor in global downstream oil-related logistics infrastructure, today announced that it has obtained the Business License from the Shanghai City Government for its joint venture in Shanghai Pudong International Airport Aviation Fuel Supply Company ("SPIA/AFSC").

Mr Chen Jiulin , the Managing Director and CEO of CAO, said, "In July 2002, CAO announced that it had entered into a share transfer agreement to purchase a 33% stake in SPIA/AFSC. During our EGM in September 2002, we sought and received approval from our shareholders for the joint venture. On 18 December 2002, we received the Business License from the Shanghai City Government, representing the final step in the formal process of approval for our Joint Venture in China."

Shanghai City wins bid to host the 2010 World Expo

Asked about the recent win by Shanghai to host the World Expo in 2010, Mr Chen believes that it will bring many visitors to the city in the lead up to the event, and during the half year over which it will be held.

Said Mr Chen, "The World Expo is a mega-scale international event, and has been estimated in a Xinhua news report to attract at least 70 million visitors during the six months over which it will be held. Many of the international visitors will be arriving by plane at Shanghai Pudong International Airport, which is serviced by SPIA/AFSC. In 2001, the airport served 6 million passengers, and SPIA/AFSC supplied 590,000 MT of jet fuel. In 2010, excluding the effect from the Expo, we expect the airport to serve 50 million passengers and SPIA/AFSC to supply 4.9 million MT of jet fuel. As the exclusive supplier of jet fuel at the airport, SPIA/AFSC stands to benefit from the increased traffic, which will in turn benefit CAO."

"There is also the potential increase in air traffic from all the business activities leading up to the hosting of the World Expo. In preparation for the Expo, the Chinese government aims to spend US$2.4 billion to build up the city's infrastructure. The opportunities for business will encourage numerous visits by foreign businessmen looking to invest in Shanghai's growth, most of who will land at Pudong Airport. This means steadily increasing business for SPIA/AFSC."

The Shanghai Pudong area and SPIA/AFSC, also stand to benefit from the spillover effects from spectators and tourists attending the 2008 Olympic games in Beijing, and the opening of a Universal Studios theme park in 2006 that is expected to bring new vitality to Shanghai's tourism industry.

And to make it easier for foreign visitors to Shanghai, the government is building the world's first commercial magnetic levitation ("maglev") train line, which will reduce the 30 km trip between the city and the airport to a mere 8 minute train ride, which is much faster and more convenient than a normal taxi ride. The maglev service is scheduled to start in 2003.

Said Mr Chen, "The potential benefit to SPIA/AFSC, and to CAO in turn, from directly supporting the World Expo event combined with the add-on benefits from the Olympic games and the Universal Studios theme park, are tremendous. These international events, the regional attractions and the construction of the maglev are in line with the Chinese government's drive to develop Shanghai Pudong International Airport into an Asia-Pacific aviation hub by 2010."

Expected increase in China-Taiwan air traffic during 2003 Chinese New Year

While waiting for the longer-term events to materialize, CAO is looking forward to February next year. That is when increased numbers of passengers are expected to travel between Shanghai and Taipei, or between Shanghai and Kaohshiung. Aircraft will fly to Taiwan via transit in Hong Kong or Macau. As Pudong Airport serves aircraft flying between Shanghai-Hong Kong and Shanghai-Macau routes, SPIA/AFSC and CAO stand to gain by supplying an increased amount of jet fuel during the festive season.

The Growing Power of the Chinese civil aviation industry

The potential of the Chinese civil aviation industry was clearly reflected in the recent China Airshow held in November. The Boeing Company and the Civil Aviation Authority of China estimated that to service the fast growing industry, the size of the civil aviation fleet is expected to increase by over 1,900 to over 2,300 by 2021.

"With many more aircraft taking to the skies, this presents CAO with a ready market for its continued jet fuel procurement services," stated Mr Chen gleefully.

China Aviation Oil's firm grasp on the jet fuel import market

In addition to the increased air travel due to the confluence of international events in 2006, 2008 and 2010, CAO will continue to have a firm grasp on the jet fuel import market, even as it prepares to open up to new players.

Said Mr Jia Changbin, Chairman of CAO, "China currently imports a third of its jet fuel demand from overseas. Currently, 80% of the imported jet fuel is consumed by the two largest and busiest airports in China - Beijing Capital International Airport and Shanghai Pudong International Airport."

"CAOSC Aviation Oil Co., Ltd, which is the exclusive supplier of jet fuel at Beijing Capital International Airport, is a 99% owned subsidiary of our parent company, China Aviation Oil Holding Company, for which CAO procures jet fuel. At the same time, CAO holds a 33% stake in SPIA/AFSC. Our relationship with the two airport fuel supply companies, enhance our dominant position in China's jet fuel import market and allow us to enjoy stability and growth as China's demand for jet fuel increases."

CAO's parent company, China Aviation Oil Holding Company ("CAOHC") is the state-owned aviation logistics group responsible for China's supply of jet fuel. Mr Jia concurrently serves as the President of CAOHC while Mr Chen concurrently serves as the Vice-President of CAOHC.

CAO - Not just a jet fuel procurer

Besides CAO's strength in the procurement of jet fuel from international markets, CAO has also developed businesses in the international trading of oil products, and has invested in global downstream oil-related logistics infrastructure. These two additional businesses help to diversify CAO's growth and stabilize its earnings. In fact, CAO's profit for 2002 will reflect contributions from these two businesses.

The international trading business looks to improve with rising global demand in crude oil. Recent demand has increased by 330,000 barrels per day, with 80% of this increased demand coming from China. China's crude oil imports have been projected to double every decade, rising from 70 million MT in 2000, to 150 million MT in 2010, to 300 million MT in 2020.

Said Mr Jia, "CAO's operations are based in Singapore, which is the 3rd largest oil trading centre in the world. As China sources 54% of its crude oil imports from the Far East, we can expect this 54% of their imports to transit through Singapore. With our business links in China and strengths in procurement, CAO expects to benefit from China's increasing imports of crude oil."

Leveraging China, Going Global

Having established a firm background in China, and with its operations in the international oil market of Singapore, CAO continues to strengthen its ties to China, and expand its growth into other markets.

Stating with conviction, Mr Jia said, "Leveraging on our strong foundation as an industry leader in China, CAO has become a global market player in the oil-related logistics and facilities sector tapping into the fast growing Chinese aviation industry."