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

CAO Signed Sales & Purchase Agreement For Pudong Acquisition

23/07/02

Singapore, 23 July 2002 - The board of China Aviation Oil (Singapore) Corporation Ltd ("CAO"), the sole import jet fuel procurement arm for Civil Aviation Industry in China and a leading petroleum trading house in the region is pleased to announce that the Company has entered into a Share Transfer Agreement with its parent company China Aviation Oil Supply Corporation ("CAOSC") to acquire a 33% equity interest in Shanghai Pudong International Airport Aviation Fuel Supply Corporation Ltd ("SPIA").

Shanghai Pudong airport is one of the busiest airports in the PRC with more than 70,000 aircraft turnarounds carrying over 6 million passengers during 2001. Pudong airport will completely take all international flights (including Hong Kong and Macau regional flights) from Shanghai's Hongqiao airport from October 2002. The Chinese government has announced a grand vision to develop Pudong International Airport into an Asia Pacific Aviation Hub by 2010.

SPIA is the sole jet fuel supply service company at Pudong airport. SPIA's assets include a 42 km pipeline directly connecting Shanghai Wai Gaoqiao port to Pudong airport, twelve 10,000 m3 storage tanks, 16 fuel pumping trucks, and other modern fuel supply facilities and equipment.

Financial Aspect of the Acquisition

SPIA began fuel supply operations in October 1999. Profit after tax has grown from approximately RMB131.4 million (or S$27.5 million assuming an exchange rate of S$1=RMB4.77) in 2000 to approximately RMB245.6 million (or S$51.5 million assuming an exchange rate of S$1=RMB4.77) in 2001. The paid up capital of SPIA is RMB200 million and the shareholder's fund is approximately RMB387.2 million as of 31 December 2001.

The acquisition price for the 33% stake in SPIA is RMB370 million (or S$77.6 million based on an exchange rate of S$1=RMB4.77). This acquisition price is around 4.5 times of 33% of SPIA's FY2001 profit after tax. In the Share Transfer Agreement, CAO is entitled to the 33% equity interest in SPIA as of 31 December 2001, and enjoy its profits accrued from 1 January 2002 onwards.

A Very Strategic Acquisition

Mr Jia Changbin, Chairman of CAO said: "I am very pleased with the signing of S & P. This investment is significant to our Growth Strategy, Further Development in China and Bottom Line."

"First of all, the investment is significant to our 3-pronged growth strategy ? building our core jet fuel procurement business, developing our international trading business, and undertaking strategic investments in oil-related infrastructures which will provide secure stable return with an acceptable level of risk."

"With this SPIA investment, we are one step closer to completing our global infrastructure for distribution of jet fuel and oil related products. The previously announced strategic investment in Spain's largest fuel supply company Compania Logistica De Hidrocarburos CLH, S.A. ("CLH") in April this year also enhances our access to physical asset infrastructure. These investments will complement our trading activities in jet fuel and other petroleum products, and broaden our earning base significantly. SPIA acquisition also offers CAO direct access to end users of domestic and international airlines, which is synergistic to our core jet fuel procurement business."

"SPIA sold about 590,000 Metric Tones ("MT") of jet fuel during 2001 and this is expected to increase with the growth in the volume of flights using Pudong International Airport. The future of SPIA appears bright, especially when you consider the annual fuel consumption in more established Asian travel hub cities like Hong Kong and Singapore, each at about 3 million MT per year."

"Secondly, SPIA investment has also created win-win-win case for all three parties namely CAO, CAOSC and SPIA."

"CAOSC can utilize the generated cash in other related businesses. As the major shareholder of CAO, CAOSC can continue to enjoy earnings from SPIA via indirect ownership through CAO. In addition, the acquisition is also in line with CAOSC's growth strategy of "going global", as CAO integrates SPIA into its global infrastructure and network."

"CAO can use SPIA as the springboard to further develop its business in China."

"SPIA will benefit from a closer working relationship with CAO who will become its shareholder. These will ultimately benefit the other two existing shareholders of SPIA, namely Shanghai Pudong International Airport Corporation and Sinopec."

Mr. Chen Jiulin, Managing Director and CEO of CAO added: "Lastly, the SPIA investment is expected to contribute to our bottom line in the current financial year. We expect to schedule an EGM to approve the acquisition and seek the relevant approvals from the Chinese authorities within the coming months."

"With our overseas investments growing, CAO is continuing to transform itself into an international brand for aviation oil with the combined strength of jet fuel procurement and supply services, international oil trading activities, and strategic investments," Mr Chen concluded.

About SPIA

Shanghai Pudong International Airport Aviation Fuel Supply Corporation Ltd (SPIA) commenced operations in October 1999 with a paid-up capital of S$42 million (or RMB 200 million). SPIA is the sole jet fuel supply company for Pudong International Airport. SPIA investors include Shanghai Pudong International Airport Corporation (40%), China Aviation Oil Supply Corporation (33%, now being transferred to CAO), and Sinopec (27%), the largest domestic oil refinery conglomerate in China.

About CAO

China Aviation Oil (Singapore) Corporation Ltd (CAO) was incorporated in Singapore in 1993, and listed on the Singapore Exchange (SGX) in December 2001. Today, CAO supplies nearly 100% of imported jet fuel to China's civil aviation industry, which amounted to about 1.65 million Metric Tons during 2001. In addition to jet fuel procurement, CAO also trades petroleum products including jet fuel, gasoil, fuel oil, crude oil, plastics and oil derivatives. These trading operations are primarily located in Singapore. In FY 2001, turnover was S$1,051 million and profit after tax was S$40 million.

For more information, please refer to the corporate fact sheet.

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