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

China Aviation Oil Again Reports Normalised Growth In January-March Quarter

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SINGAPORE, 13 May 2004 - Following the trend of recent quarters, China Aviation Oil (Singapore) Corporation Ltd ("CAO") once again reported strong earnings for the period January-March 2004 ("1Q FY04"), thanks in particular to a strong recovery by the Company's 33%-owned associate company Shanghai Pudong International Airport Aviation Fuel Supply Company ("Pudong").

Managing Director and CEO Mr Chen Jiulin said "In 2004 we are seeing our three-pronged business strategy come to full fruition. Strategic investments are driving our profit growth and with market conditions remaining broadly favourable, our results should continue to improve throughout the year."

Fundamentals intact

Net profit in 1Q FY04 was S$16.2 million, compared with S$18.1 million for the year-earlier period ("1Q FY03"). This decline is attributable to the fact that in 2003, a dividend received from Compania Logistica de Hidrocarburos ("CLH") in which CAO holds a 5 percent stake, amounting to S$4.7 million with respect to 2002 interim earnings, was recorded during the January-March period. By contrast, the equivalent dividend for 2003 interim earnings was booked by CAO in its October-December period ("4Q FY03").

Allowing for this timing difference, normalised after-tax profits rose 12.6 percent in 1Q FY04 compared with 1Q FY03.

However, even this relatively robust growth understates the actual strength of the Company's results, owing to a higher-than-usual percentage of fixed-price procurement contracts during the 2003 period. Typically, the Company does the vast majority of its procurement business on a floating-price basis, which minimises risk but sustains margins at lower levels. In the run-up to the Iraq war in early 2003, opportunities to enhance procurement margins were plentiful, and the Company took advantage of these by booking more fixed-price contracts. This had the effect of making growth in procurement business in 1Q FY04 appear less significant than it was. In fact, total procurement volumes inclusive of spot orders in 1Q FY04 were 603,000 metric tonnes, some 34 percent higher than 1Q FY03, and a record for the quarter.

Total turnover was S$583.4 million, down 8.8 percent from 1Q FY03. This decline was due to a cautious stance on trading activities, as difficult conditions persisted in international oil markets, discouraging large-scale positions. The Company's measured approach had the desired effect, however, boosting the overall profitability of the procurement and trading businesses. Gross profits were S$15.2 million, up 11 percent compared with the S$13.6 million booked in 1Q FY03.

Pudong rallies

The real star for the quarter was CAO's associate company Pudong. After two quarters in which margins were squeezed by domestic jet-fuel pricing policies, Pudong returned to growth with a contribution of S$11.2 million, up 19 percent compared with 1Q FY03. Quarterly volumes at Pudong gained 20 percent year-on-year, reaching 309,000 metric tonnes - a quarterly record. Meanwhile, domestic resale prices have also substantially recovered, enabling Pudong to post year-on-year growth in profitability as well.

This is a significant event in that January-March 2004 was the first quarter in which the Pudong contribution grew on a truly 'apples-to-apples' basis - that is, no one-time changes distorted the comparison. Regulations shifting international flights to Pudong Airport from Shanghai's Hongqiao Airport in the second half of 2002, following soon after CAO's acquisition of the Pudong stake, had obscured the pattern of organic growth that is now visible in the current quarterly figures.

Outlook grows brighter

The coming quarters offer good reasons for optimism. In the April-June period ("2Q FY04"), procurement volumes will reach another all-time high - not merely relative to 2Q FY03, but for any quarter. Despite April-June traditionally being a relatively slow season, in 2004 procurement volumes booked so far for the three-month period stand at an estimated 690,000 metric tonnes, the highest quarterly volume ever. *(Estimates will vary from actual as not all loadings have been made as of this writing, and the possibility remains of additional spot cargoes being required.)*

Margins will not suffer by comparison with the 2003 period like they did in 1Q FY04, as the Company had reverted to normal, floating-price contracts during 2Q FY03. In addition, new investments should make maiden contributions in the quarters to follow. CAO's newly-acquired Shuidong oil storage tank farm and its 24.5-percent stake in South China Bluesky Aviation Oil Co Ltd ("Bluesky") should add to operating and associate profits, respectively. There may also be an initial contribution from a 20-percent stake that CAO plans to take in Horizon Terminals Ltd ("HTL"), the tank-terminal subsidiary of the Emirates National Oil Company ("ENOC").

A breed apart

Due to its bright prospects, CAO stands apart in a potentially adverse set of market conditions. At present the danger posed by SARS remains limited in scope. It is believed that cases recently reported in China will be successfully contained, although market sentiment may suffer temporarily. As well, CAO should not be impacted by fiscal restraints imposed by the government in an effort to cool down the rapid growth in China's economy, as these restraints are focused not on oil product demand but rather on runaway prices for certain specific asset classes, such as property. Indeed, all indications are for oil demand to remain robust throughout the year.

CAO should maintain profitability and growth, and at the same time solidify its place along the Chinese energy supply chain through its deepening relations with ENOC and HTL.

CAO Chairman Mr Jia Changbin said, "Under the circumstances, we are quite pleased with these results for 1Q FY04. The rest of the year should prove even more satisfying. Our business model is being well-implemented, with the effect that future gains from new investments should come with regularity and speed. All in all, we remain confident in our ability to create value for our shareholders."

By Order of the Board
Adrian Chang
Company Secretary

China Aviation Oil (Singapore) Corporation Ltd
Tel: 65-63348979; Fax: 65-6333 5283
John Casey, Dy. Head, Internal Audit & Investor Relations
or Jennie Liu, Investor Relations Manager
Email: john@caosco.com; jennie@caosco.com

WeR1 Consultants Pte Ltd
Tel: 65-67374844; Fax: 65-67374944
Mona Leong, monaleong@wer1.net

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 based on its three-pronged strategy to 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 and a strategic 5% stake with board representation in Spain's Compania Logistica de Hidrocarburos. CAO also has a 24.5% stake in South China Bluesky Aviation Oil Co. Ltd, which owns all jet fuel supply infrastructure in the 15 airports in Central / Southern China, and is the sole jet fuel supplier to all domestic Chinese and foreign airports in that region. 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$2.43 billion in 2003 and market scope has expanded beyond China to ASEAN, the Far East and the USA.*