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

CAO Achieves Higher Turnover Despite Lower Oil Prices

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- **Proforma net profit remained steady in spite of weaker US dollar**
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- **Margins and gross profits recovering from impact of September 11**

Singapore, 30 September 2002 - Mainboard listed China Aviation Oil (Singapore) Corporation Ltd ("CAO") (中国航油（新加坡）股份有限公司), the sole importer of jet fuel to China, and winner of the SIAS most transparent company (new issue) award, today announced its half-year results for the period ended 30 June 2002.

Proforma Overall Highlights	**1H FY2002**	**2H FY2001**	**1H FY2001**
Turnover	$615.6 m	$626.0 m	$425.0 m
Gross Profit	$24.6 m	$16.1 m	$28.7 m
Operating profit before tax	$31.9m	$13.7 m	$30.8 m
Foreign Exchange Gain/(Loss)	($3.0 m)	$0.5 m	$4.6 m
Depreciation and Amortization	($1.6 m)	($0.2 m)	($0.1 m)
Net Profit After Tax	$28.3 m	$13.1 m	$27.5 m
EPS	4.9 cents *over 576m shares*	2.9 cents *over 456m shares*	6.4 cents *over 432m shares*

Turnover for the period rose 44.8% to $615.6 million from $425.0 million the previous corresponding period. Proforma net profit rose 3.2% to $28.3 million. This included the investment income from Compania Logistica de Hidrocarburos ("CLH") and equity accounting for the first-half profit of Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA").

Both CAO's jet fuel procurement and international oil trading activities were profitable during the first six months. While the volume of jet fuel traded remained steady in both first-half periods, overall gross profit for 1H FY2002 fell 14.4% against 1H FY2001. However, overall gross profit has improved against that achieved in 2H FY2001, which suffered from lower margins due to the impact of September 11. During the past half-year, CAO's margins and gross profit are recovering.

Proforma net profit was also affected due to foreign exchange losses of $3.0 million in the period end book translation of CAO's holdings in US currency to Singapore dollars. For 1HFY2001, CAO enjoyed a significant foreign exchange gain of $4.6 million, resulting in a period-on-period foreign exchange variance of negative $7.6 million. As CAO does its business in US dollars, the gain or loss from foreign exchange is primarily due to currency translation for reporting purposes, and not from business transactions.

Depreciation and amortization increased to $1.6 million from $0.1 million due to CAO's acquisition of a 33% stake in SPIA.

Earnings per share fell from 6.4 cents in 1H FY2001 to 4.9 cents in 1H FY2002, primarily due to an enlarged share base from CAO's December 2001 IPO.

Said Mr Chen Jiulin (陈久霖), the Managing Director and CEO of CAO, "Despite the difficult economic climate, CAO continues to enjoy stability in its core business of jet fuel procurement and strong growth in the supply of black petroleum products to China. Unfortunately, the weakening US dollar worked against us, affecting our reported net profit translated into Singapore dollars. Over the next few months, we expect to continue strengthening our global position and competitiveness in the procurement of jet fuel. We also expect to realize further income from our strategic investments at the end of the financial year."

Reducing Potential Business Volatility through Strategic Investments

One way CAO is reducing potential volatility to its business is to invest in asset-based businesses to stabilize its earnings.

During FY2002, CAO invested in a 5% stake in CLH, and a 33% stake in SPIA. Shareholders approved both acquisitions during the EGM held on 23 September 2002.

Both CLH and SPIA are profitable asset-based businesses, owning oil and jet fuel distribution and storage infrastructure, and maintain monopolistic positions in their respective markets. CLH profit after tax for FY2001 was ?163.2 million ($267.6 million), whilst SPIA profit after tax for FY2001 was RMB 245.6 million ($54.8 million). CAO expects significant contributions from both investments for FY2002.

War Effect Negligible

With a potential war looming between the US and Iraq, CAO is prepared to handle the possible effects. The Company tries to cut its risk exposure by procuring jet fuel and performing international oil trading on a back-to-back basis, in which both the buyer and seller agree to pay based on the floating price of oil. Hedging is used in the event that either the buyer or seller requires a fixed price.

One of CAO's strategies is to increase international oil trading, which is a deliberate move by the Company to broaden its trading base so as to increase the profit of the Company and to enjoy economies of scale thus reducing the cost of operations for jet fuel procurement. The increase in international oil trading was evident in the first half of 2002 as jet fuel procurement formed less than 54% of the turnover compared to 89% in the first half of 2001. Though the first half saw increased volume of trade in black petroleum products and crude oil, Mr Chen has since told his traders to cut down on the scale of their business until the outlook is clearer.

"Overall trading has been reduced by 30 percent. While international oil trading allows us to take advantage of lower average freight costs and achieve economies of scale through bulk purchases, we have decided that under the present circumstances, it would be prudent to reduce our risk profile," said Mr Chen.

"The reduction in risk profile is just a precautionary move. CAO will still take opportunities as and when they arise. In addition, CAO has in place a risk management system covering all aspects of trading risks. The system allows the traders to maximize their potential profit while simultaneously managing the risk at a level acceptable to the Company."

CAO also tries to minimize its exposure to soaring shipping costs in times of war. Whenever possible, CAO would transact on CFR basis(cost and freight), in which shipping costs are borne by the seller, as opposed to FOB basis (free on board).

With regard to the stability of CAO's supply of jet fuel, Mr Chen stated, "With most of our jet fuel being procured from Korea, Taiwan and Singapore, and a large volume of crude oil being produced outside of Iraq, we are not worried about the effect of a war between the US and Iraq."

The Silver Lining in War Clouds

When asked about the growth prospects of CAO in these uncertain times, Mr Chen remains optimistic. He said, "In the first half of the year, we have already shipped 60% of the volume planned for FY2002. As China's appetite for jet fuel and black petroleum products continue to rise, and we continue to see returns from our strategic investments, we expect that FY 2002 would be a good year for CAO".

<u>About China Aviation Oil (Singapore) Corporation Ltd</u>

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, gas oil, 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 visit the Company's website at www.caosco.com.

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