



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

## China Aviation Oil Receives Top Honours For Creative Management

20/01/04

**SINGAPORE, 20 January 2004 - SGX Main Board-listed China Aviation Oil (Singapore) Corporation Ltd ("CAO")** today announced that it had received top national honours for its risk management structure and procedures, at China's Tenth Annual Creative Management Awards.

The award was given by the China National Enterprise Federation, a quasi-governmental body with nationwide scope and influence, and all of China's top enterprises are its members. Its influence is such that it hosted and organised China Business Summit 2003 in Beijing, together with the World Economic Forum. CAO was the only overseas Chinese-funded enterprise (OCFE) to be accorded this honour, and indeed the first ever to be so cited in the ten-year history of the award.

Mr. Chen Jiulin, CAO's Managing Director and CEO, said, "We are delighted to have been accorded this recognition. Risk management is a major priority for CAO, and it is gratifying to receive acknowledgement for our efforts. Looking to the future, we hope to be consistent in applying standards worthy of this kind of notice - not merely in our risk-management activities but across our full range of investments, trading activities and jet-fuel procurement operations. Although our company fundamentals are already strong, we continue to apply strict management principles in order to improve even further. As a clear example of this effort at constant improvement, we established our Investment Management Division to manage all our strategic investments so as to maximise value for our shareholders."

The basic principles of risk management at CAO involve what it refers to as the "Three Offsets" and the "Three Layers of Control". The first offset, the Strategic Offset, means the company has established a three-pronged strategy comprising strategic investments, international oil trading and jet fuel procurement, so as to buffer against any shock in any one area. The second, the Organisational or Functional Offset, means CAO has established two trading divisions: Trading Division I engages in jet-fuel procurement and is not allowed to speculate, while Trading Division II may speculate within limits so as to maximise company profitability. The third, the Trading Offset, means the company requires traders to take not only short positions but also long ones; not only paper swaps and futures contracts but also physical cargo; not only trading oil products but also crude oil. Together, the Three Offsets minimize overall company exposure while allowing key traders, divisions and strategic arms to exploit market opportunities.

CAO's Three Layers of Control concept was first publicly discussed in the company press release dated 26 September, 2003. In the foundational layer, department heads exercise control over daily operations together with traders: upon concluding every deal, traders must inform all colleagues and other relevant divisions and parties, creating an atmosphere of self-management. In the middle layer, the company has established the Risk Management Committee, to manage credit balances and enterprise-wide risk exposure on a daily basis. At the top layer, the Internal Audit Division maintains a paper trail and a constantly updated set of risk benchmarks in order to give an overall measure of the company's exposure to risk based on established risk-management procedures. In aggregate, the three-level process protects the company as it negotiates risky markets. The company's track record, in which the International Oil Trading business has generated profits every year since it began operations, shows that CAO's risk management measures have been effective.

CAO's Chairman, Mr Jia Changbin added: "It is interesting to note that CAO was the only OCFE to have received such notice. This is important because it shows that CAO remains an example to other Chinese companies wishing to pursue excellence in their international operations. In the WTO environment in which China currently operates, it is vitally important for our businesses to become strong in order to compete effectively. A key means to achieve this is to encourage the innovative and creative spirit in staff and in the corporate culture. That the China National Enterprise Federation singled out CAO for notice as regards its risk-management policies suggests that such spirit is alive and well in our company."

By Order of the Board  
Adrian Chang  
Company Secretary

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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 the USA.