



MEDIA RELEASE

China Aviation Oil Reports Return To Profitability for 2005

S\$12.67 million full-year net profits

SINGAPORE, 28 February 2006 - China Aviation Oil (Singapore) Corporation Ltd ("CAO") on Tuesday announced its full-year 2005 financial results, reporting a return to profitability after the loss-making 2004. Net profits for the year to 31 December 2005 were S\$12.67 million, compared with losses of S\$864.96 million the year before.

Madam Gu Yanfei, Head of CAO's Special Task Force, said, "I am glad to report that the fundamental strengths in CAO's business model have helped to carry the company through this tough time. As we move towards the completion of our restructuring efforts, operations will normalize and these strengths will carry us forward."

A switch to agency basis for jet-fuel procurement makes figures not comparable

In contrast with 2004, the company's jet-fuel procurement business was conducted on an agency basis by a subsidiary, China Aviation Oil Trading ("CAOT"), rather than a principal basis in the earlier year. CAOT records commission income rather than underlying sales as revenue, resulting in a significant decline in CAO's turnover in 2005. In addition, gross profits fell from S\$41.55 million in 2004 to S\$17.10 million in 2005. Following completion of the restructuring, the Company will resume operations on a principal basis.

The company reported a 2005 operating loss of S\$13.97 million, compared with S\$889.29 million in 2004. A main contributor to the 2005 loss was a S\$16.45 million foreign exchange loss accruing on foreign-denominated liabilities.

Strategic investments boost bottom line

In contrast, the Company's strategic investments contributed strongly to profitability. CAO's 33%-held Pudong Airport fuel-supply associate contributed S\$46.22 million (2004: S\$46.92 million), while the Company's 5% stake in Compania Logistica de Hidrocarburos ("CLH") gave it S\$10.97 million in dividends (2004: S\$9.46 million).

In sum, the Company was able to turn a full-year profit of S\$12.67 million, despite net losses in the April-June and July-September quarters. Of particular significance, against the nine-month figure reported in September 2005 of a S\$7.30 million loss, October-December profits reached nearly S\$20 million.

The final quarter of the financial year was characterized by several favourable factors. Procurement volumes reached 1.1 million metric tonnes, leading to a jump in CAOT's contribution. Pudong's October-December contribution jumped 49.5% year-on-year to S\$9.67 million. And CLH paid a S\$8.06 million dividend during the quarter.

Looking at the Company's future course, Mdm Gu said, "There are many factors about which we are optimistic, and without the support of our constituents we could not have come even this far. There remains a great deal of work to be done, however, and normalising our operations in the post-restructuring period will give us a strong base from which to grow."

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