Press Release

China Aviation Oil Reports 5% Net Profit Growth for January-September 2004

- **January-September net profit S$41.7 million, up 5%; July-September net profit S$8.8 million, down 15%**

- **All divisions except international oil trading turn in top performances**

- **Ex-trading, amortisation proforma for quarter shows PBT growing 121% year-on-year**

- **Strong full year and 2005 outlooks intact**

SINGAPORE, 12 November 2004 - SGX Main Board-listed China Aviation Oil (Singapore) Corporation Ltd ("CAO") announced results for the January-September 2004 period and the July-September quarter. For the nine-month period, profits rose 4.9% year-on-year to S$41.7 million. However, for the July-September quarter, net profits were S$8.8 million, down 15.4% compared with a year earlier, due to weak contributions by the company's international oil trading division.

On a pro-forma basis, pretax profits for the company exclusive of trading and changes in amortisation, as discussed below, would have been up 121% year-on-year for the July-September quarter and 36% year-on-year for the nine-month period.

Mr. Chen Jiulin, CAO's Managing Director and CEO, said, "Despite the difficult trading environment, the quarter just ended has shown us yet again the wisdom of the Company's three-pronged business strategy. With strong contributions by our strategic investments and jet fuel procurement, we have again been able to diversify against weakness in one segment."

Review: Pudong has a remarkable quarter

CAO's 33%-owned Pudong affiliate had an exceptionally good quarter, growing its contribution by 148% year-on-year in the quarter, supported by strong deliveries and steadily improving margins. Pudong supplied a record 389 thousand metric tonnes ("MT") of jet fuel to airlines during the July-September quarter, some 60% higher than the volumes delivered in July-September 2003 and 11% higher than volumes in the April-June 2004 quarter. At the same time, the margin also rose as deliveries to international flights continued to rise as a percentage of total. International flights accounted for 42.8% of total deliveries during the quarter, the highest level on record.

Procurement, meanwhile, also remained robust as expected. CAO supplied 660 thousand MT in the three months, representing a 22% rise over year-earlier figures. This was easily the highest July-September quarterly figure ever, as travel demand at Pudong International Airport and elsewhere surged on healthy consumption growth in China.

The company's international oil trading division, however, had some setbacks in the form of adverse market movements. In a continuation of a pattern seen in oil market since mid-year 2003, choppy markets made profitable trading extremely difficult, and the company sustained an operating loss.

Mr Chen said, "The direction of prices has been extremely hard to predict in the past several quarters, with market conditions unlike anything we have seen in nearly 25 years. CAO remains committed to stringent risk-management policies, and our main goal in trading is to support our jet fuel procurement and other operations. Nonetheless, markets do occasionally throw up conditions such as those we have seen recently, and their adverse effects cannot be completely hedged against. In order to ensure that this business remains a positive contributor to our bottom line, we're currently reviewing our risk-management criteria and may tighten them even further."

In other developments, CLH, in which CAO holds a 5% stake, paid no dividend during the quarter as expected. Financial expenses were down by 18.6% from the year-earlier period, due to the payment in 2003 of an arranger fee in connection with the US$160 million credit facility. Accounting changes regarding the amortisation of goodwill on the Pudong investment have eliminated the amortisation burden in 2004. Finally, the effective tax rate the company paid was up, as the majority of profits were contributed by Pudong, which operates in a higher tax regime than do the company's trading and procurement operations.

Proforma pretax profits up 121% year-on-year in July-September

Thus, except for the international oil trading division, earnings were not merely healthy but quite strong. A proforma adjustment, for analytical purposes, to remove the effects of trading losses, and to standardise the treatment of amortisation expense, shows that pretax profits grew 121% year-on-year in the July-September quarter, as well as 36% year-on-year for the entire nine-month period.

Outlook: Still highly positive

The full-year outlook is still quite positive. January-September earnings illustrate this point well. Even with the third-quarter operating loss, net profit year-to-date is S$41.7 million, up 5% over year-earlier figures. Turnover, at S$2,208 million, is up 24% year-on-year. Pudong's nine-month contribution is S$40.5 million, some 64% above year-earlier figures and indeed 17% more than the entire associate contribution for all of 2003 (exclusive of amortisation expense, which would make the growth even larger).

In addition, 2004 procurement volumes so far in hand total 2.65 million MT, compared with 1.88 million MT in 2003. The Oct-Dec quarter may see a dividend declared by CLH; such was the case in 2003, and January-June 2004 net earnings, the most recent figures available, were up 36% year-on-year. In sum, it remains a safe assumption that 2004 full-year earnings will exceed those of 2003, and thus will be at record levels.

In 2005, there should be major increases in earnings on the back of first-time contributions by new strategic investments. Two of these in particular – Bluesky and SPC – will likely contribute significantly. Other investments, including Xinyuan (Shuidong) and some not yet announced, should make smaller contributions.

Bluesky earnings will be driven by the opening, in August 2004, of the new Baiyun International Airport in Guangzhou. For January-September, Guangzhou passenger volumes were 14.9 million, and estimates now are for 20 million for the full year. In September alone, 1.9 million passengers used the Baiyun airport. International air passengers travelling to, from or through the Guangzhou airport have grown 80% in number in the first nine months of 2004, to 1.76 million. On the cargo side, volumes handled year-to-date have grown at a 23% pace. Fedex and UPS are currently in negotiations to establish operations at Baiyun; hub facilities by one or both of these companies should significantly boost volumes.

SPC continues to be a beneficiary of historically high gross refiner margins ("GRM"). CAO will begin recording associates' contribution from its 20.6% stake in SPC following shareholder approval at the upcoming Extraordinary General Meeting. For reference, the current mean I/B/E/S estimate for 2005 is S$197 million, implying a contribution to CAO associate profits of S$40.6 million.

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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's strategic oil investments includes 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 facilitie,s and 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.

In February 2004, CAO announced it will purchase a 24.5% stake in South China Bluesky Aviation Oil Co. Ltd ("Bluesky") from Fortune Oil Plc of the UK.. Bluesky owns all of the jet fuel supply infrastructure in the 15 airports in Central and Southern China, and is the sole jet fuel supplier to all domestic Chinese and foreign airlines in that region.

In August 2004, CAO announced it will take a 20.6% stake in Singapore-listed, Singapore Petroleum Company ("SPC"), a major oil and gas company with operations in upstream, midstream and downstream businesses such as development and production, refining, terminalling and distribution, marketing and trading of crude and refined products.

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$2.4 billion in 2003 and market scope has expanded beyond China to ASEAN, the Far East and the USA.