China Aviation Oil (Singapore) Corp Ltd

Strategic Investment Announcement

18 August 2004

Singapore Petroleum Company

- Some basic details
- SPC's business model
- Benefits of the deal to CAO
- Terms of the deal
  - Earnings-accretive
- Q&A

1. Basic details

- CAO to buy 20.6% of SPC
- Seller: Satya Capital
- CAO becomes second-largest shareholder

The inevitable investment

- **Marks first step in CAO's third strategic transformation:**
  - **To become the first overseas Chinese integrated oil company**

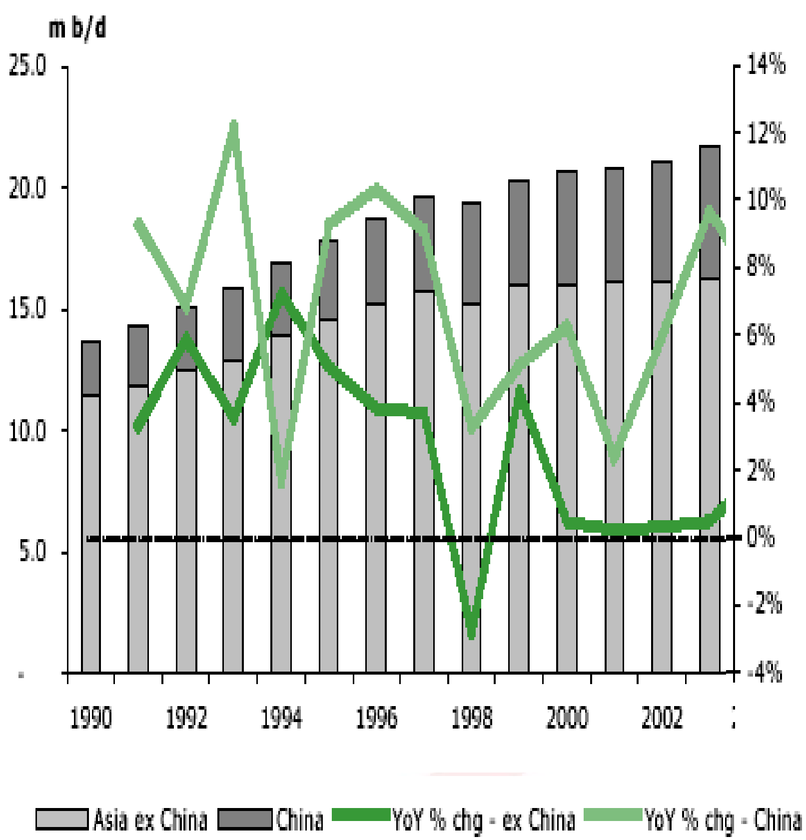
2. SPC's business

- Incorporated in 1969, listed on SGX main board in 1990
- Integrated oil operations
  - Exploration/production
  - Refining
  - Marketing/distribution
  - Trading

Singapore Refining Co

- 50% interest in Singapore Refining Company
  - A major contributor to SPC's downstream profitability
  - The swing factor in its growth
- Capacity 285,000 bpd
- Actual production 235,000 bpd in 2003

Strong Growth Outlook for Regional Oil Demand

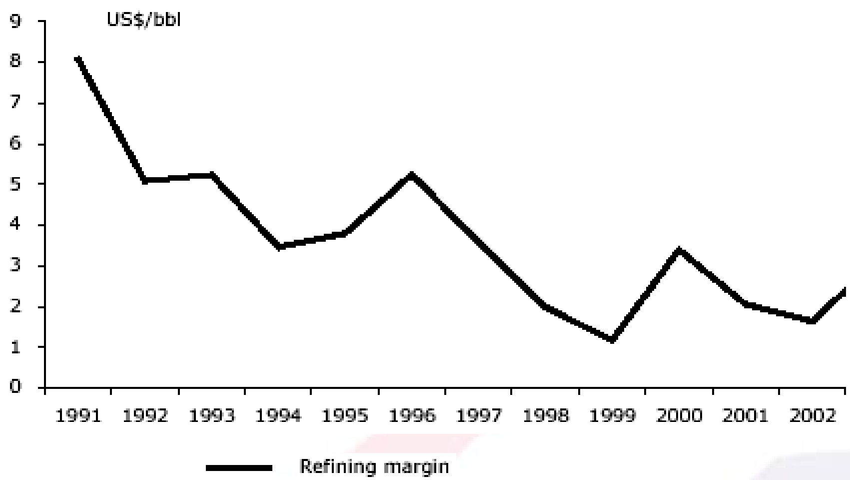


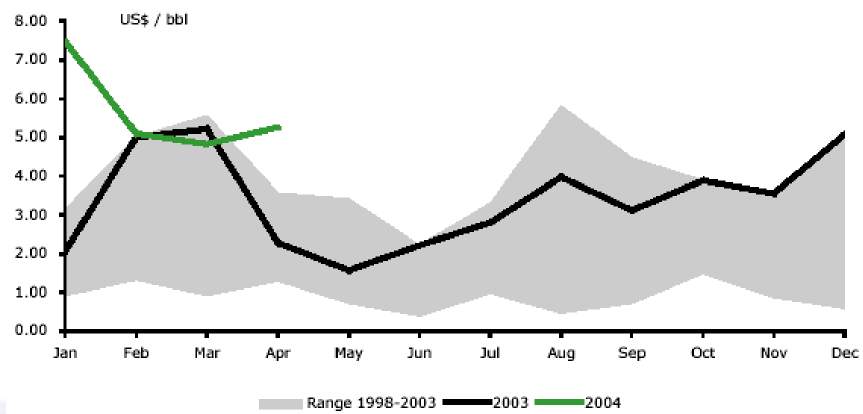
- Optimal outlook for the oil & gas industry, especially the refining sector, is supported by:
  - growing demand for oil and oil products in China,
  - continual strong infrastructure investments,
  - rapid growth of automobile industry,
  - rapid growth of jet fuel demand, and
  - the increase of China's strategic petroleum reserves

- ***Source: BP Annual Statistical Review***

Positive Refinery Industry Outlook

- Curbs on new refining capacity in the last few years together with an improvement on the macroeconomic landscape has boosted refining industry utilisation rates across Asia in the past 12 months
- We believe the sector is in an upcycle and that the refining margins will continue to increase for the next 2 to 3 years
- SPC's principle investment is its 50% stake in Singapore Refining Company Private Limited ("SRC"), one of the largest and best refineries in the world





- ***Source: Asian Development Bank, CERA***

Environmental Policy Changes Benefit SPC

- Many Asian countries have taken steps to lower emissions levels and have set timetables for the implementation of more stringent environmental policies
- Higher fuel specifications will require better refining facilities to meet these standards which would benefit SRC
- Many of the existing refineries will be forced to close down due to outdated technology
- Net effect is a smaller increase in supply than would otherwise be the case

3. Benefits of the Deal

- The inevitable investment
  - Immediate contribution
  - Long-term synergies possible

Short-term benefits

- Immediate profit contribution
  - Refining cycle is on a long-term uptrend
  - All indications are for several more good years of high refiner margins
  - It's demand driven, not supply driven
    - …and demand is growing much faster than expected

Long-term benefits (1)

- Potential synergies abound
  - Geography
    - Our existing operations are in China, Europe
      - Plans for Middle East and Singapore with ENOC, HTL
    - SPC gives us Southeast Asian presence
  - Jet fuel
    - CAO procures 2m MT a year
    - SRC produces 800kt of jet fuel a year
      - Of course 600kt goes to Changi

Long-term benefits (2)

- Storage capacity
  - CAO leases capacity, SPC owns capacity
- GRM may remain higher than currently expected, if regional demand continues to grow at current rates

CAO's Dramatic Evolution

1993	1997	2001	2002	2004
Ship Broker	Jet Fuel Trader		Full Supply Chain Jet Fuel Provider	Integrated Oil & Gas Company

Jet Fuel Trader
- Focus on jet fuel procurement
- Domination of the Chinese jet fuel import market
- Listing on SGX in 2001

Full Supply Chain Jet Fuel Provider
- Three-pronged business model
- 33% stake in Pudong
- 5% stake in CLH

Integrated Oil & Gas Company
- 20.6% share purchase of SPC, first step into the third phase
- More to come

The Third Strategic Transformation

- Deal gives CAO instant, full midstream, upstream and downstream integration
  - SRC, Production Assets, Distribution through terminaling facilities, LPG business, Marketing through petrol stations
- CAO's strategy is panning out exactly as outlined for the first time in 2002
- Connectivity between Chinese and Singaporean government linked companies

2004 A Banner Year For CAO

- Investments have dominated CAO's strategy in 2004
  - Shuidong Tank Farm
  - Fortune Oil/Bluesky
  - MOUs with ENOC and HTL
  - SPC
  - Currently negotiating with Shell to acquire its 40% interest in the Tianjin Tank Terminal
    - Which supplies Beijing Airport with all its imported fuel
  - Others are on the plate as well

4. Transaction Terms

- Payment in cash and warrants
  - Cash: S$227 million for 88 million SPC shares (20.6% of shares out)
    - Representing S$2.58 per share cash payment
  - Warrants on 208 million CAO shares
    - Representing 17.7% of CAO's enlarged share base
    - Independent valuation: S$64.5 million
- Total consideration: S$291.5 million or S$3.31 per share

An Earnings-accretive Deal

- SPC 1H net earnings S$68.1 million
  - For an “annualised” S$136.2 million
    - (though of course the greater SRC contribution, etc., boost 2H earnings more)
  - Implied PER of our purchase price: 10.1 times
- Earnings will be recognised by CAO at associate line
- EPS for 1H2004 would have risen from 3.4 Sc to 4.0 Sc, fully diluted
- NTA/share to be boosted from 21.61 Sc at 30/6/04 to 48.43 Sc, fully diluted

Thank You

Q&A