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

China Aviation Oil Reports 48.6% Year-On-Year Net Profit Growth In April-June 2004 Quarter

12/08/04

*** Second-quarter net profit reaches S$16.7 million, for 48.6% y-o-y growth**
*** Prime contributions by Pudong, a CLH dividend, and record jet fuel procurement volumes; exclude any contribution from new investment in South China Bluesky Aviation Oil Company ('Bluesky')**
*** CAO has been granted the new 5% concessionary tax rate awarded by the Singapore Government under the Global Trader Programme - rate applied retroactively to the beginning of 2004 for five years**

SINGAPORE, 12 August 2004 - SGX Main Board-listed China Aviation Oil (Singapore) Corporation Ltd ("CAO") reported strong, 48.6% year-on-year growth in earnings for the April-June 2004 quarter, led by contributions from its strategic investments, record volumes in its procurement operations and a still lower concessionary tax rate under Singapore's Global Trader Programme.

For the April-June quarter, CAO reported net profits of S$16.7 million, representing 48.6% growth over the April-June 2003 quarter and 3.3% growth over the January-March 2004 quarter. Turnover for the April-June 2004 quarter was S$741.9 million, a gain of 30.6% over April-June 2003 and growth of 27.0% over January-March 2004.

Cumulative net profits for January-June 2004 reached S$32.9 million, representing growth of 12.0% over the January-June 2003 financial half-year and growth of 32.4% over the July-December 2003 half year. Turnover was S$1.3 billion, a 9.7% rise over the equivalent figure in the January-June 2003 and 9.0% growth over the turnover figure for July-December 2003.

Mr. Chen Jiulin, CAO's Managing Director and CEO, said, "Despite the serious challenges in oil markets worldwide in the first two quarters of the current financial year, CAO has performed well and turned in strong earnings growth. The coming quarters should see further growth with the addition of contributions by our new investments undertaken in 1H 2004, as well as continued strength in Chinese aviation-related demand."

Strong performance by Pudong associate, dividend from CLH

The 33%-owned Pudong associate contributed 67% of CAO's pretax profits in the April-June quarter, or S$12.9 million before amortisation of goodwill. This contribution was 48.2% higher than that provided in the April-June 2003 quarter, and 15.2% higher than the contribution in January-March 2004. Pudong made significantly higher volume deliveries in the quarter relative to those provided in the year-earlier period, during which aviation demand was adversely impacted by the SARS epidemic.

In addition, the Company received a dividend from its 5% investment, Compania Logistica de Hidrocarburos ("CLH"). The payment, amounting to the Euro equivalent of S$2.2 million, was received during the April-June quarter, compared with S$2.3 million in April-June 2003. Data for the half-year, in which the S$2.2 million received in 2004 compares with S$ 7.0 million last year, is distorted by the fact that in 2003, an unusually-timed dividend was recognised in the January-March quarter with no corresponding payment received this year. Historically, CLH has paid dividends twice a year.

A move to an even lower tax rate

Owing to its scale, profitability and contribution to the local economy, CAO has been granted new status under Singapore's Global Trader Programme ("GTP"). This new status allows the Company to enjoy a 5% concessionary tax rate on qualifying income, namely, income relating specifically to oil trading - in CAO's case, that provided by its international oil trading and jet fuel procurement business units. CAO previously had enjoyed a 10% tax rate on a smaller income base. The new tax rate applies retroactively to income accruing from 1 January 2004 for the next five years. As a result, tax provisions in April-June 2004 fall 27.3% compared with the April-June 2003 figure, despite 45.3% growth in pretax profits between the two periods.

This means that CAO's international oil trading and jet fuel procurement businesses should operate at higher levels of profitability, all other factors held constant, than in previous financial years. To give a sense of the scale of this change in tax rate, CAO notes that if the lower rate had been applied to 2003 full-year earnings, the Company would have paid S$1.9 million less in total taxes.

Record volumes by procurement division

CAO's procurement business saw its highest volumes ever during the April-June quarter. Despite the typical pattern involving slower demand during this particular quarter, CAO procured approximately 695,000 - 700,000 metric tonnes during April-June 2004, or 132% higher volumes than in April-June 2003. Semi-annual procurement volumes were also at record levels. In January-June 2004, procurement was 1.3 million metric tonnes, up 65.8% compared with January-June 2003 and 7.7% higher than the volumes of July-December 2003, a period traditionally considered the high season.

Outlook includes additional contributions from 2004 investments, continued procurement strength

Current business and market conditions give CAO many reasons for optimism over the next few quarters. First, in the past several months the Company has made a number of investments that, owing to transaction timing, have not added their contributions. It is expected that such investments will shortly have positive contribution. For instance, during the April-June 2004 quarter, CAO established a new subsidiary, China Aviation Oil Holding Xinyuan Petroleum Corp., with the purpose of owning and operating CAO's business at the Shuidong tank farm in Southern China. As this company was established only in June 2004, there was no contribution during the quarter under discussion.

CAO's agreement with Fortune Oil Plc to acquire its interests in South China Bluesky Aviation Oil Company ("Bluesky") and Fortune Aviation Holding Ltd awaits approval by China's State Council, buyer and seller having completed all transaction details. It is expected the contribution from this 24.5% stake in Bluesky will begin shortly.

The New Guangzhou Baiyun International Airport commenced operations on 5 Aug 2004 and has become the largest airport in China. Its passenger capacity is expected to reach 25 million in 2005, five years ahead of the original plan.

According to an article in Lianhe Zaobao dated 11 August 2004 on the new *airport "Beyond White Cloud is Bluesky"*, the total jet fuel consumption at Guangzhou Baiyun airport is expected to increase 46% compared to 2003, to reach 650,000 metric tonnes in 2004 and 850,000 metric tonnes in 2005. Bluesky, the exclusive supplier of aviation fuel to 15 airports in Southern China including the Guangzhou Baiyun airport, is expected to benefit directly from the switch to the new airport, with profits for 2004 and 2005 from Bluesky's operations at this airport alone projected to grow by 22% and 23% to RMB121 million and RMB149 million respectively. In addition to future contribution from associated company Bluesky, the significant increases in demand for jet fuel at the new Guangzhou airport will also boost CAO's jet fuel procurement operations.

Meanwhile, jet fuel procurement remains at high levels. The initial bulk tender for the current, July-September quarter, called for 630,000 metric tonnes of jet fuel, CAO's largest initial tender ever. Signals coming from China indicate that jet fuel demand remains very robust.

CAO's Chairman, Mr Jia Changbin added: "2004 is a landmark year for CAO, in which strategic investments become a prime focus of attention. However, the Company's businesses in international oil trading and jet fuel procurement also are contributing - despite some harsh trading conditions and uncertain markets. It is thus fair to say that CAO is actively and successfully pursuing its objective of becoming the first overseas Chinese integrated oil company."

Media Contact Information

China Aviation Oil (Singapore) Corporation Ltd
Tel: 65-63348979; Fax: 65-6333 5283
John Casey, Dy. Head, Internal Audit & Investor Relations
or Jennie Liu, Investor Relations Manager
Email: john@caosco.com; jennie@caosco.com

WeR1 Consultants Pte Ltd
Tel: 65-6737 4844 HP: 9187 4449
Mona Leong or Sophia Ang
Email: monaleong@wer1.net; sophiaang@wer1.net