



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

Fuel Consumption Drop A Test Of CAO's Diversification Strategy

07/05/03

Singapore, 7 May 2003 - The Board of Directors of China Aviation Oil (Singapore) Corporation Ltd ("CAO") wishes to make the following announcement:

Following cancellations of flights by Chinese carriers at Beijing International Airport, Shanghai Pudong International Airport and elsewhere, CAO has seen a drop in demand for jet fuel imports to China. For May 2003, North China and Shanghai have received one shipment of 30,000 metric tons of jet fuel each, compared with the normal two shipments. Overall volumes shipped by CAO are down 46% month-on-month.

Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA/AFSC", in which CAO holds a 33% stake) is currently feeling the effects of flight cancellations. With the SARS epidemic still impacting demand for air travel, reduced consumption may persist into June as well. The current reduced consumption may create an inventory build-up that could impact procurement volumes over the next couple of months.

The Board of Directors wishes to stress that it is of the opinion that the SARS epidemic is slowly coming under control, and that its impact on China's economy is short-term in nature. The underlying strength of the Chinese economy remains intact.

Of equal importance is the diversification provided by CAO's three-pronged business model, of which jet fuel procurement is only one prong. Such procurement contributes only one-fourth of CAO's pretax profits at present. The remainder comes from strategic investments and international oil trading activities. In 2003 the company will record its first full-year contribution by SPIA/AFSC, as well as a large dividend distribution by Compania Logistica de Hidrocarburos (CLH).

Looking ahead, CAO plans to continue to manage its exposure to the China aviation market and improve on its earnings stream through stable returns from further strategic investment initiatives. As a result, CAO will likely be in a position to report continued growth in its business and profitability, both this year and into the future.