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

Additional Information On Full Year Financial Statement And Dividend Announcement

31/03/03

Singapore, 31 March 2003 - The Management of China Aviation Oil (Singapore) Corporation Ltd ("CAO" or The "Company") are pleased to announce the following additional information in response to request dated 28 March 2003, from Singapore Exchange (SGX):

2a. To explain the nature and the factors which had contributed to the following items:

(i) Increase in "Other Operating Costs" from S$5.4 million in FY 2001 to about S$17 million in FY 2002

Response: The increase in "Other Operating Costs" from S$5.4 million to S$17 million was largely attributed to foreign exchange loss of S$3.6 million, mostly due to the payment for the stake in CLH which could not be capitalised; increase in staff cost of S$6.0 million due to higher total headcount and increase in depreciation and amortisation of S$1.5 million due to the purchase of office space and amortisation of goodwill from Shanghai Pudong International Airport Aviation Fuel Supply Corporation Ltd ("SPIA/AFSC").

(ii) Increase in "Other creditors and accruals" from S$14.9 million to S$44.5 million.

Response: The increase in "Other creditors and accruals" was mainly due to the increase in unrealised loss on paper trades as at 31 December 2002 when compared to 31 December 2001. There was also an increase in "Other Debtors" which was mainly due to the increase in unrealised gain on paper trades as at 31 December 2002.

(iii) Increase in "Amount due to Related Company" from Nil to S$78.2million.

Response: The increase in "Amount due to Related Company" was due to the accrual for the cost of purchase of the Group's 33%-stake in SPIA/AFSC.

2b. On 3 October 2002, SGX had asked the Company whether the inclusion of the interim dividend received from CLH from 1 January 2002
("CLH Dividend") and the equity accounting of the Company's 33% share of Shanghai Pudong's first half 2002 profits ("SP Profits") in the Half Year Results were in accordance with Singapore Accounting Standards and generally accepted accounting principles in Singapore. In the Response dated 4 October 2002, the Company replied: -

"The Group is of the opinion that the inclusion of the investment income from CLH and the equity accounting of the Shanghai Pudong profit in the first half results are in accordance with the Singapore Accounting Standards and generally accepted accounting principles in Singapore. The Sale and Purchase agreements for both CLH and Shanghai Pudong stated clearly that the date of transfer of ownership of the shares was effective 1st January 2002"

However, SGX noted that the Company had excluded the CLH Dividends and SP Profits from the Full Year Results and therefore requested for the following:-

(i) Whether the Company had sought its auditors' view on whether the inclusion of the CLH Dividends and the SP Profits were equity accounted for in the Half Year Results were in accordance with Singapore Accounting Standards and generally accepted accounting principles in Singapore before the Response was given on 4 October 2002. If so, to state what their opinion was then. Otherwise, to explain why it had not then;

(ii) To explain the circumstances which arose subsequent to 4 October 2002 which resulted in the Company reversing its previous decision;

(iii) To state when the Directors first became aware of the need to revise the above accounting treatment;

(iv) To state whether the Company's accounting treatment on the exclusion of the CLH Dividends and SP Profits from the Full Year Results is in accordance with Singapore Accounting Standards and generally accepted accounting principles in Singapore and the bases for the above opinion;

(v) Whether the Company had sought its auditors' view on whether the exclusion of the CLH Dividends and the SP Profits from Full Year Results are in accordance with Singapore Accounting Standards and generally accepted accounting principles in Singapore. If so, to state their opinion. Otherwise, to explain why the Company had not.

Response for above 2(b)(i) to (v): With regard to its investments in SPIA/AFSC and CLH, the Company is entitled under the sale and purchase agreements to the profits of SPIA/AFSC and dividends from CLH commencing from 1 January 2002.

The auditors had expressed their opinion prior to the announcement of the interim results that the first-half year's results of SPIA/AFSC should not be equity-accounted, and that the first interim dividend from CLH should be offset against the cost of investment. The Company is of the opinion that the results of SPIA/AFSC should be equity-accounted from 1 January 2002 and the first interim dividend from CLH should also be reported as income.

The Company also sought the opinion of other accounting firms. In the meantime, the Company released its half-year results and also disclosed the proforma profit figures under the alternative accounting treatments for these two items. The Company continued discussions on the equity accounting and income recognition issues with its appointed auditors right through February 2003.

The Company is still of the opinion that the full year results of SPIA/AFSC should be equity-accounted in 2002, and that the dividend received from CLH should have been taken to the Profit and Loss statement, notwithstanding the opinions adopted by the company's auditors.

The Company consider the treatment of taking into account its share of SPIA/AFSC's first half-year results through equity accounting and the inclusion of CLH's first interim dividend as income to be in line with accepted accounting principles given that there were differing opinions expressed by various accounting firms consulted.

2(c) The Company is proposing a 1-for-5 bonus issue ("Bonus Issue").

(i) The status of the new ordinary shares to be issued in relation to the Bonus Issue ("Bonus Shares")

Response: The Board of Directors proposes to issue one new share ("Bonus Share") for every 5 existing shares held as at a book closure date to be determined ("Bonus Issue"). The Bonus Share, when allotted and issued, will rank pari passu in all respects with the existing issued shares of the Company, except that they will not be entitled to the tax-exempt cash dividend of S$0.01 per share declared in respect of the financial year ended 31 December 2002.

(ii) The reserve(s) from which the capitalisation is expected to be effected;

Response: The Bonus Issue will entail the capitalisation of S$5,760,000 from the Company's share premium account to be applied towards paying up in full for the Bonus Issue. The number of Bonus Shares that will be issued by the Company pursuant to the Bonus Issue is 115,200,000; Bonus Shares based on the Company's issued capital of 576,000,000 shares.

(iii) The necessary approvals to be obtained for the listing and quotation of the Bonus Shares;

Response: The Bonus Issue is subject to the approval of the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of the Bonus Shares on the main board of the SGX-ST. The Company will make an application to the SGX-ST for permission to deal in and for listing and quotation of the Bonus Shares on the main board of the SGX-ST.

As disclosed on page 88 of the Company's prospectus dated 26 November 2001, the parent company of CAO may need to seek the approval of certain relevant governmental or regulatory authorities in the People's Republic of China in order to vote in favour of any shareholders' resolution approving the issue of new shares. Accordingly, the Bonus Issue may be subject to the approval of such governmental or regulatory authorities. The Company is seeking confirmation whether any such approvals are required, and will make a further announcement in due course.

The Bonus Issue is also subject to approval from shareholders, as set out in part 2(c)(v) below.

(iv) Whether the Company expects to maintain the quantum of dividend declared and paid in the previous year;

Response: The Company does not have a fixed dividend payment policy and the quantum of future dividend declaration will depend on the Company's performance, working capital requirements and investment needs.

(v) The authority under which the Bonus Shares is expected to be issued.

Response: The Bonus Issue is subject to approval from shareholders at an extraordinary general meeting to be determined, in which a circular in relation to the Bonus issue would be despatched to shareholders in due course.