



Supplementary Information In Respect Of Half Year Financial Statement Ended 30 June 2002 (Half Year Results)

04/10/02

The Management of China Aviation Oil (Singapore) Corporation Ltd would like to make additional commentaries, following the Half Year Results Announcement as follows:

1(i) 14.4% decrease in Group Gross Profit even though Group turnover had increased 44.8%.

The Group gross profit has been consistently positive, but the level of profitability can vary in sequential reporting periods. This is evident in the last three sequential reporting periods. The gross margin fell from 6.7% in the first half of 2001 to 2.6% in the second half of 2001 and in the first half of 2002 improved to 4.0%. The September 11 incident affected the gross profit in the second half of 2001. This spilled over to the first half of 2002. Also, during the first half of 2002, the Group commenced trading extensively in non-jet fuel oil products such as fuel oil and bunkers. To help establish the Group's presence and for future development, it was necessary to trade margin for volume. Therefore, though the Group gross margin for the first half of 2002 decreased compared to the corresponding period last year, compared to the gross margin for the second half of 2001, it registered an increase from 2.6% to 4.0% - though the increase fell short of the gross margin for the corresponding period, it was nevertheless an improvement of 53.8% over the second half of 2001.

1(ii) Increase in "Other income including interest income" from \$1.1 million to S\$3.4 million.

Other income increased mainly due to the reduction in the general provision for doubtful debts computed at 3% of the outstanding receivables. The Group also realized some profit on the sale of office space owned by the Group.

1(iii) Increase in "Other operating expense" from S\$2.6 million to S\$9.5 million.

Group other operating expense increased mainly due to:

- a. Amortization of goodwill for the acquisition of Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd.
- b. Foreign exchange loss due to the weaker US\$. The exchange loss was mainly due to the book translation of the US\$ denominated monetary assets and liabilities of the Group into S\$ for reporting purposes, and not from business transactions.
- c. Increase in staff costs and expenses due to the increase in staff strength from average of 20 in the previous corresponding period to 34, including professional oil traders, in the first half of 2002.

2. Share Premium Decrease by S\$170,000/-.

The Share Premium decrease is due to the payment of IPO related expenses that were over and above the expenses accrued in the 2001 accounts. This is also reflected as a cash outflow in the cash flow statement under "net proceeds from issuance of shares".

3. Inclusion of the investment income from CLH and equity accounting for Shanghai Pudong.

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 the transfer of ownership of the shares was effective 1st January 2002.