

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

First Quarter 2003 Unaudited Financial Statement

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

Profit & Loss Statement

	Group		
	31/03/2003	31/03/2002	inc/(decr)
	S\$'000	S\$'000	S\$'000
Revenue	536,114	212,992	323,122
Cost of Revenue	522,480	199,299	323,181
Gross Profit	13,634	13,693	(59)
Other Income	4,854	424	4,430
Distribution costs	67	9	58
Administration costs	127	98	29
Other operating costs	5,494	2,917	2,577
Profit from operating activities	12,800	11,093	1,707
Finance costs	468	297	171
Share of result of associated company	9,368	0	9,368
Profit Before Taxation	21,700	10,796	10,904
Taxation	3,568	1,199	2,369
Net Profit After Tax	18,132	9,597	8,535

Note:

1)

Profit from operating activities is derived after charging the following items:-

Interest on borrowing	183	92	91
Depreciation and amortization	799	147	652
FX gain/(loss)	(895)	(646)	249

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheets

	Group			Company		
	31/03/2003	31/12/2002	incr/(decr)	31/03/2003	31/12/2002	incr/(decr)
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Fixed Assets	17,579	17,758	(179)	17,423	17,597	(174)
Subsidiary company	0	0	0	150	385	(235)
Associated company	102,803	95,332	7,471	79,376	79,248	128
Investment	109,328	109,328	0	109,328	109,328	0
<u>Current Assets</u>						
Inventory	0	10,548	(10,548)	0	10,548	(10,548)
Trade Debtors	135,499	107,118	28,381	135,402	107,097	28,305
Other Debtors, deposits and prepayment:	55,053	43,711	11,342	55,225	43,686	11,539
Amount due from Related Company	300	292	8	300	200	100
Fixed deposits	60,633	46,724	13,909	60,603	46,694	13,909
Cash and bank balances	7,840	6,183	1,657	7,393	5,858	1,535
	<u>259,325</u>	<u>214,576</u>	44,749	<u>258,923</u>	<u>214,083</u>	44,840
<u>Current Liabilities</u>						
Trade Creditors	134,790	86,411	48,379	134,749	86,372	48,377
Accrued staff costs	6,718	6,336	382	6,686	6,270	416
Other creditors and accruals	53,976	44,505	9,471	53,926	44,485	9,441
Amount due to Holding Company	78,246	78,246	0	78,246	78,246	0
Amount due to subsidiary company	0	0	0	17	173	(156)
Trust receipt payables	15,918	41,675	(25,757)	15,918	41,675	(25,757)
Provision for taxation	4,441	3,007	1,434	4,432	2,996	1,436
	<u>294,089</u>	<u>260,180</u>	33,909	<u>293,974</u>	<u>260,217</u>	33,757
Net Current (Liability)/Assets	(34,764)	(45,604)	10,840	(35,051)	(46,134)	11,083
Deferred tax	82	82	0	82	82	0
	<u>194,864</u>	<u>176,732</u>	18,132	<u>171,144</u>	<u>160,342</u>	10,802
<u>Capital and reserves</u>						
Share capital	28,800	28,800	0	28,800	28,800	0
Share premium	69,737	69,737	0	69,737	69,737	0
Accumulated profits	90,567	72,435	18,132	66,847	56,045	10,802
Dividend reserve	5,760	5,760	0	5,760	5,760	0
	<u>194,864</u>	<u>176,732</u>	18,132	<u>171,144</u>	<u>160,342</u>	10,802

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/03/2003		As at 31/12/2002	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
0	15,918	0	41,675

Amount repayable after one year

As at 31/03/2003		As at 31/12/2002	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
0	0	0	0

Details of any collateral

NB: The Group's borrowings relate to trust receipts

- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

Cash flow statement

	Group	
	31/03/2003	31/03/2002
	S\$'000	S\$'000
Cash flow from operating activities		
Profit before taxation	21,700	10,796
Adjustments for:		
Depreciation of fixed assets	179	142
Amortization of Goodwill	620	0
Interest expenses	183	92
Interest income	(154)	(394)
Dividend Income- CLH	(4,681)	0
Share of profit of associated company	(9,368)	0
Operating profit before reinvestment in working capital	8,479	10,636
(Increase)/decrease in Inventory	10,548	0
(Increase)/decrease in trade debtors	(28,381)	69,758
(Increase)/decrease in other debtors, deposits and prepayments	(11,342)	398
(Increase)/decrease in amount due from related company	(8)	(968)
Increase/(decrease) in amount due to Holding Company	0	(83)
Increase/(decrease) in trade creditors	48,379	(17,670)
Increase/(decrease) in other creditors and accruals	9,471	(595)
Increase/(decrease) in accrued staff costs	382	36
Increase/(decrease) in trust receipt payables	(25,757)	(36,018)
Cash generated from operations	11,771	25,494
Income tax paid	(729)	
Interest received	154	394
Interest paid	(183)	(92)
Net cash from operating activities	11,013	25,796
Cash flow from investing activities		
Purchase of fixed assets	0	(409)
Expenses incurred in investment in SPIA	(128)	0
Dividend Received-CLH	4,681	0
Net cash used in investing activities	4,553	(409)
Cash flow from financing activities		
IPO Expenses	0	(64)
Net cash generated from financing activities	0	(64)
Net increase in cash and cash equivalents	15,566	25,323
Cash and cash equivalents at beginning of period	52,907	139,970
Cash and cash equivalent at end of period	68,473	165,293

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Changes in equity

	Group		Company	
	31/03/2003	31/03/2002	31/03/2003	31/03/2002
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Issued Share Capital</u>				
Balance at beginning of year	28,800	28,800	28,800	28,800
Bonus issue of ordinary shares before IPO	0	0	0	0
Issuance of ordinary shares pursuant to the Company's IPC	0	0	0	0
Balance at end of year	<u>28,800</u>	<u>28,800</u>	<u>28,800</u>	<u>28,800</u>
<u>Share Premium</u>				
Balance at beginning of year	69,737	69,927	69,737	69,927
Premium on issuance of ordinary shares pursuant to Co IPO	0	0	0	0
Expenses on issuance of ordinary shares	0	(64)	0	(64)
Balance at end of year	<u>69,737</u>	<u>69,863</u>	<u>69,737</u>	<u>69,863</u>
<u>Accumulated Profits</u>				
Balance at beginning of year	72,435	29,971	56,045	30,300
Profit for the year	18,132	9,597	10,802	9,589
Amount capitalized for issue of bonus shares	0		0	
<u>Dividends</u>				
Balance at end of year	<u>90,567</u>	<u>39,568</u>	<u>66,847</u>	<u>39,889</u>
<u>Dividend Reserve</u>				
Balance at beginning of year	5,760	18,000	5,760	18,000
Final dividends paid	0	0	0	0
Dividends for the previous year, proposed	0	0	0	0
Balance at end of period	<u>5,760</u>	<u>18,000</u>	<u>5,760</u>	<u>18,000</u>
Total equity	194,864	156,231	171,144	156,552

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Nil

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

Figures have not been audited nor reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Nil

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2002.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

None

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

31/03/2003 31/03/2002

Earnings per share (cents)

(c) Earnings per ordinary share of the Group based on net profit attributable to shareholders

(i) Based on the weighted average number of ordinary shares in issue; and	3.1	1.7
(ii) On a fully diluted basis	3.1	1.7

There were no new shares issued during the period.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

Net Asset Value per share

	Group		Company	
	31/03/2003	31/12/2002	31/03/2003	31/12/2002
Net Asset Value per ordinary share (cents) based on issued shared capital at the end of the financial period	33.8	30.7	29.7	27.8

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Review of Performance

The Group achieved a net profit after tax of S\$18.1 million for the first quarter of 2003, an increase of 88.9% compared to the first quarter of 2002 net profit after tax of S\$9.6 million.

The Group's turnover increased from S\$213.0 million in the first quarter of 2002 to S\$536.1 million in the current year's quarter, an increase of 151.7%. The increase in turnover was due to the significant increase in international trading activities, especially in the black products and crude oil segments, and the higher prices of oil during the first quarter of 2003.

Gross profit, which excludes the income from the strategic investments, decreased marginally from S\$13.7 million to S\$13.6 million, a decrease of 0.4%. Gross profit margin decreased from 6.4% in first quarter 2002 to 2.5% in first quarter 2003. The decrease in gross margin is due to the Group's expanding its international oil trading activities in new products that have thin margins. The first quarter gross profit margin increased by 8.7% compared to the average gross profit margin of 2.3% for the year 2002.

Other income increased from S\$0.4 million to S\$4.9 million, an increase of 1,044.8%. The increase is due to the receipt of dividend from Compania Logistica de Hidrocarburos.

Other operating expenses increased from S\$2.9 million to S\$5.5 million, an increase of S\$2.6 million or 88.3%. The increase is mainly due to the increase in staff cost arising from the increase in number of staff, an increase in foreign exchange translation loss arising from the quarter end conversion of foreign currency monetary assets into S\$, increase in amortization due to the amortization of goodwill on acquisition of Shanghai Pudong and an increase in overseas traveling for investment projects.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

There is no variance between the current actual results and the prospect statement previously disclosed in the 2002 full year financial statement announcement.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Board of Directors is pleased to report that despite uncertainties brought about by the war in Iraq, which occurred during the period under review, the management team has been able to manage its performance well in the face of fluctuating conditions. With the conclusion of the war, our operations are no longer subject to such fluctuations and uncertainties.

Overall, the Group, as a result of its three-pronged diversification strategy, is fundamentally in a much stronger position from the start of the 2003 financial year ("FY 2003") to ride out any short-term adverse circumstances in its various operating environments that may arise suddenly and without warning.

The Group had earlier anticipated SPIA's passenger traffic and cargo handling volume to rise significantly from the 28 October 2002 transfer of all international flights in and out of Shanghai to take off and land at Shanghai Pudong International Airport ("SPIA") instead of Hongqiao Airport, as well as some domestic flights. Due to the Severe Acute Respiratory Syndrome ("SARS") impact, the extent of this growth may be dampened over the short-term. Nonetheless, the Board of Directors currently remain confident of Shanghai's potential as China's main economic and financial hub in the long term.

With reference to our update announcements of May 7 and May 12, 2003, like most companies, the business outlook for the Group's jet fuel procurement business in the near-term will inevitably be clouded by uncertainties arising from the unprecedented outbreak of SARS virus. The full extent of the SARS outbreak will depend very much on the effective containment of the outbreak by authorities and other health organisations in the East Asia region.

The anticipated recovery in global air travel with the conclusion of the Iraq War has been curtailed by the SARS outbreak. The cancellations of flights by Chinese carriers at Beijing International Airport, SPIA and elsewhere have contributed to a drop in demand for jet fuel imports to China in recent weeks. Consequently, overall volumes shipped by the Company are down 46% month-on-month during the early weeks of May 2003, and possible inventory build-up may impact CAO's procurement volumes in the next few months.

However, under CAO's three-pronged diversification strategy, jet fuel procurement has become a small contributor to total profitability. CAO's strategic investments and international oil trading are expected to strongly buttress the Group during the current uncertainties. In FY 2003, CAO will record its first full-year contribution by its 33%-owned Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA/AFSC") as well as dividend distribution from 5%-owned Compania Logistica de Hidrocarburos (CLH) of Spain.

The Board of Directors is of the opinion that the SARS outbreak is slowly coming under control, and as such, its impact on China's economy is expected to be short-term in nature. The Directors believe that the underlying strength of the Chinese economy remains intact and, barring any unforeseen circumstances, are cautiously optimistic that the overall outlook for the Group beyond the SARS horizon would steadily return to positive.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

Nil

(d) Books closure date

Nil

12. If no dividend has been declared/recommended, a statement to that effect

Nil

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Nil

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Nil

15. A breakdown of sales

Nil

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year ()	Previous Full Year ()
Ordinary		
Preference		0 0
Total:		

Interested Party Transactions

Aggregate value of all interested person transactions during the quarter under review conducted under shareholders mandate pursuant to Rule 920 (excluding transactions less than \$100,000)

Name of interested person	31/03/2003 \$'000
Sale of physical fuel to Parent Group	216,439

BY ORDER OF THE BOARD

Adrian Chang
Company Secretary
19/05/2003