

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

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**Full Year Financial Statement And Dividend Announcement**

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**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

	Group		incr/(decr) %
	2002 S\$'000	2001 S\$'000	
Revenue	1,689,624	1,051,037	60.8
Cost of Revenue	1,651,285	1,006,209	64.1
<b>Gross Profit</b>	<b>38,339</b>	<b>44,828</b>	<b>(14.5)</b>
Other Income	2,750	6,962	(60.5)
Distribution costs	(244)	(79)	208.9
Administration costs	(435)	(690)	(37.0)
Other operating costs	(17,001)	(5,367)	216.8
<b>Profit from operating activities</b>	<b>23,409</b>	<b>45,654</b>	<b>(48.7)</b>
Finance costs	(1,880)	(1,176)	59.9
Share of result of associated company	20,406	0	NM
Exceptional item	12,706	0	NM
<b>Profit Before Taxation</b>	<b>54,641</b>	<b>44,478</b>	<b>22.8</b>
Taxation	(6,417)	(3,928)	63.4
<b>Net Profit After Tax</b>	<b>48,224</b>	<b>40,550</b>	<b>18.9</b>

Note:

1)	Group		incr/(decr) %
	2002	2001	
	\$		
Profit from operating activities is derived after charging the following items:-			
Interest on borrowing	(902)	(638)	41.4
Depreciation and amortization	(1,888)	(312)	505
FX gain/(loss)	(3,585)	5,042	(171)

2) If the interim dividend received from CLH for 2002 had been included and CAO's 33% share of Shanghai Pudong's first half 2002 profits equity accounted, the net profit after tax would have been S\$57.9 million.

**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**

As at 31 December	Group			Company		
	S\$'000 2002	S\$'000 2001	S\$'000 incr/(decr)	S\$'000 2002	S\$'000 2001	S\$'000 incr/(decr)
Fixed Assets	17,758	14,096	3,662	17,597	13,921	3,676
Subsidiary company	0	0	0	385	680	(295)
Associated company	95,332	0	95,332	79,248	0	79,248
Investment	109,328	46	109,282	109,328	46	109,282
<b>Current Assets</b>						
Inventory	10,548	0	10,548	10,548	0	10,548
Trade Debtors	107,118	153,716	(46,598)	107,097	153,700	(46,603)
Other Debtors, deposits and prepayments	43,711	13,160	30,551	43,686	13,155	30,531
Amount due from Related Company	292	0	292	200	0	200
Fixed deposits	46,724	127,804	(81,080)	46,694	127,804	(81,110)
Cash and bank balances	6,183	12,166	(5,983)	5,858	12,023	(6,165)
	<b>214,576</b>	<b>306,846</b>	<b>(92,270)</b>	<b>214,083</b>	<b>306,682</b>	<b>(92,599)</b>
<b>Current Liabilities</b>						
Trade Creditors	86,411	88,663	(2,252)	86,372	88,089	(1,717)
Accrued staff costs	6,336	6,236	100	6,270	6,225	45
Other creditors and accruals	44,505	14,886	29,619	44,485	14,838	29,647
Amount due to Holding Company	0	9,235	(9,235)	0	9,235	(9,235)
Amount due to Related Company	78,246	0	78,246	78,246	0	78,246
Amount due to subsidiary company	0	0	0	173	707	(534)
Trust receipt payables	41,675	52,363	(10,688)	41,675	52,363	(10,688)
Provision for taxation	3,007	2,825	182	2,996	2,763	233
	<b>260,180</b>	<b>174,208</b>	<b>85,972</b>	<b>260,217</b>	<b>174,220</b>	<b>85,997</b>
Net Current Liability/Assets	(45,604)	132,638	(178,242)	(46,134)	132,462	(178,596)
Deferred tax	82	82	0	82	82	0
	<b>176,732</b>	<b>146,698</b>	<b>30,034</b>	<b>160,342</b>	<b>147,027</b>	<b>13,315</b>
<b>Capital and reserves</b>						
Share capital	28,800	28,800	0	28,800	28,800	0
Share premium	69,737	69,927	(190)	69,737	69,927	(190)
Accumulated profits	72,435	29,971	42,464	56,045	30,300	25,745
Dividend reserve	5,760	18,000	(12,240)	5,760	18,000	(12,240)
	<b>176,732</b>	<b>146,698</b>	<b>30,034</b>	<b>160,342</b>	<b>147,027</b>	<b>13,315</b>

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

**Amount repayable in one year or less, or on demand**

As at 31/12/2002		As at 31/12/2001	
Secured	Unsecured	Secured	Unsecured
0	41,675	0	52,363

**Amount repayable after one year**

As at 31/12/2002		As at 31/12/2001	
Secured	Unsecured	Secured	Unsecured
0	0	0	0

**Details of any collateral**

Nil

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

	Group	
	2002 S\$'000	2001 S\$'000
<b>Cash flow from operating activities</b>		
Profit before taxation	54,641	44,478
Adjustments for:		
Depreciation of fixed assets	649	312
Amortization of Goodwill	1,239	0
Fixed assets written off	0	99
Gain on sale of fixed assets	(490)	0
Interest expenses	902	638
Interest income	(2,024)	(1,859)
Write back of provision of bonus and management fee	(12,706)	0
Share of profit of associated company	(20,406)	0
	<hr/>	<hr/>
<b>Operating profit before reinvestment in working capital</b>	21,805	43,668
(Increase)/decrease in Inventory	(10,548)	0
(Increase)/decrease in trade debtors	46,598	(60,561)
(Increase)/decrease in other debtors, deposits and prepayments	(30,551)	(13,127)
(Increase)/decrease in amount due from related company	(392)	0
(Increase)/decrease in amount due from subsidiary	0	0
(Increase)/decrease in amount due from associate	0	0
(Increase)/decrease in amount due to Holding Company	0	396
Increase/(decrease) in trade creditors	(2,252)	50,747
Increase/(decrease) in other creditors and accruals	33,090	13,395
Increase/(decrease) in accrued staff costs	100	(550)
Increase/(decrease) in trust receipt payables	(10,688)	23,924
	<hr/>	<hr/>
<b>Cash generated from operations</b>	47,162	57,892
Income tax paid	(3,152)	(3,637)
Interest received	2,024	1,859
Interest paid	(902)	(638)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>45,132</b>	<b>55,476</b>
	<hr/>	<hr/>
<b>Cash flow from investing activities</b>		
Proceeds from sale of fixed assets	3,738	0
Purchase of fixed assets	(7,559)	(10,549)
Expenses of purchase of Investment in SPIA	(902)	0
Purchase of Investment in CLH and club membership	(109,282)	0
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(114,005)</b>	<b>(10,549)</b>
	<hr/>	<hr/>
<b>Cash flow from financing activities</b>		
IPO Expenses	(190)	0
Dividend paid on ordinary shares	(18,000)	0
Net proceeds from issuance of shares	0	77,127
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<b>(18,190)</b>	<b>77,127</b>
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>(87,063)</b>	<b>122,054</b>
Cash and cash equivalents at beginning of period	139,970	17,916
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<b>Cash and cash equivalent at end of period</b>	<b>52,907</b>	<b>139,970</b>

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**

	Group		Company	
	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000
<b><u>Issued Share Capital</u></b>				
Balance at beginning of year	28,800	5,000	28,800	5,000
Bonus issue of ordinary shares before IPO	0	16,600	0	16,600
Issuance of ordinary shares pursuant to the Company's IPO	0	7,200	0	7,200
Balance at end of year	<u>28,800</u>	<u>28,800</u>	<u>28,800</u>	<u>28,800</u>
<b><u>Share Premium</u></b>				
Balance at beginning of year	69,927	0	69,927	0
Premium on issuance of ordinary shares pursuant to Co IPO	0	73,440	0	73,440
Expenses on issuance of ordinary shares	(190)	(3,513)	(190)	(3,513)
Balance at end of year	<u>69,737</u>	<u>69,927</u>	<u>69,737</u>	<u>69,927</u>
<b><u>Accumulated Profits</u></b>				
Balance at beginning of year	29,971	24,021	30,300	24,021
Profit for the year	48,224	40,550	31,505	40,879
Amount capitalized for issue of bonus shares	0	(16,600)	0	(16,600)
Dividends	(5,760)	(18,000)	(5,760)	(18,000)
Balance at end of year	<u>72,435</u>	<u>29,971</u>	<u>56,045</u>	<u>30,300</u>
<b><u>Dividend Reserve</u></b>				
Balance at beginning of year	18,000	0	18,000	0
Dividends paid	(18,000)	0	(18,000)	0
Dividends for the period, proposed	5,760	18,000	5,760	18,000
Balance at end of period	<u>5,760</u>	<u>18,000</u>	<u>5,760</u>	<u>18,000</u>

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)**

The figures have not been audited nor reviewed by auditors.

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

Not Applicable

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

Yes

- 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**

No

- 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**

	<b>2002 Group figures Latest period S\$'000</b>	<b>2001 Group figures Previous Corresponding period S\$'000</b>
Operating profit as a percentage of turnover	2.9%	3.9%
Operating profit as a percentage of issued capital and reserves at end of the period	27.3%	27.6%
Earnings per ordinary share for the period deducting any provision for preference dividends:-		
(i) Based on the weighted average number of ordinary shares in issue; and	8.4 cents	9.1 cents
(ii) On a fully diluted basis	8.4 cents	9.1 cents
Weighted average number of ordinary shares ('000)	576,000	444,000

**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 ASSETS VALUE**

	GROUP		COMPANY	
	2002	2001	2002	2001
(Amounts in Cents)				
Net assets value per ordinary share based on issued share capital as at the end of the financial year	22.3	25.5	27.8	25.5

**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\$48.2 million for the year ended 31 December 2002, an increase of 18.9% compared to 2001's net profit after tax of S\$40.6 million.

Turnover increased by 60.8% from S\$1,051.0 million to S\$1,689.6 million. The Group has actively built up its international trading activities through the recruitment of experienced traders. This doubling of the oil trading team to 10 traders has resulted in a large increase in the revenue base of international trading, especially in the black petroleum and crude oil segments. Black petroleum products and crude oil together accounted for about 50% (S\$851,531) of the turnover in 2002, compared to only 27.6% in 2001.

Gross profit, excluding that in the area of strategic investment, slipped 14.5% to S\$38.3 million from S\$44.8 million, due mainly to two factors. More customers have requested for floating price contracts, instead of the fixed contracts in the past, to better track the prevailing market conditions. The Parent Group had negotiated for reduced commissions to which CAO had agreed to in view of continuing long-term benefits. In return, upon representation by CAO, the Parent Group had agreed to drop its request for management fees which was provided for previously in 2000. In addition, the Group also started trading in new products whose margins are traditionally thin. To establish its market presence, the Group was aggressive in its pricing to build up the base for future trades.

In July 2002, the Group finalised and signed two agreements pertaining to its strategic investments in a 33%-equity stake in Shanghai Pudong International Airport Aviation Fuel Supply Corporation Ltd ("SPIA/AFSC") and a 5%-equity stake in Spanish oil giant Compania Logistica de Hidrocarburos S.A. ("CLH"). The respective agreements provided for the Group's share of SPIA/AFSC's profits and share of dividends from CLH to accrue from 1 January 2002.

SPIA/AFSC is the sole supplier of jet fuel at the Shanghai Pudong International Airport (SPIA) and the owner of a 42 km pipeline directly connecting SPIA to Shanghai Wai Gaoqiao port. CLH owns the largest network of oil pipelines and storage facilities throughout Spain and has an 83% market share of its gasoline and gas oil distribution, and 100% market share of its jet fuel distribution. CLH offers the Group a solid base in Europe from which to extend its jet fuel business in the European market.

The year 2002 saw a strengthening of the Singapore currency against the US currency. As a result, the Group had a foreign exchange loss of S\$3.6 million compared to a gain of

S\$5.0 million in 2001, which was mostly due to the payment for its investment in CLH on 31 July 2002.

The Group reported an exceptional item of S\$12.7 million, being the write-back of abovementioned management fees and bonus provision balances that were accrued in 2000. The bonus provision written back was the balance of the original provision made after payments had been made to the staff.

The Group equity accounted the results of its 33%-owned associate company SPIA/AFSC for the period 23 July to 31st December 2002, although the sale and purchase agreement had provided for the Group to be entitled to the profits of SPIA/AFSC from 1 January 2002.

The Group also received interim dividends of 1.4 million Euros (S\$2.4 million) from its investment in CLH in July 2002. This was not accounted for as a dividend income, but was set off against the cost of the Group's investment in CLH.

#### **Final Dividend and Bonus Issue**

The Board of Directors has proposed a tax-exempt cash dividend of S\$0.01 per ordinary share and a one-for-five bonus share issue to reward shareholders' loyalty.

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

Not Applicable

**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**

In the light of the global geo-political situation brought on by the U.S.-led Iraq war and anxieties over the unprecedented fallout from the war and the length of engagement, the Group's operations will be subject to fluctuating market conditions arising from these uncertainties.

Overall, the Group is confident that it is in a much stronger position from 2003 as the effects of its three-pronged strategy to grow and stabilise the Group's core activities and profits (i.e., strengthen jet fuel procurement operations, expand into international oil trading and strategically invest downstream into oil and gas-related industrial and infrastructure businesses) start to kick in on a full-year basis.

China's oil market offers vast potential and growth opportunities for the Group. China's expected lifting of the import quota for petroleum products in January 2004 will allow the Group to increase the volume of imported petroleum products in China, leveraging on its

well-established networks and intimate understanding of the business environment in China.

The Group will continue to have a firm grasp on China's jet fuel import market, even as it prepares to open up to new players. China currently imports a third of its jet fuel demand from overseas and currently, 80% of the imported jet fuel is consumed by the two largest and busiest airports in China - Beijing Capital International Airport (BCIA) and the new Shanghai Pudong International Airport (SPIA). The exclusive supplier of jet fuel at BCIA is a 99%-owned subsidiary of the Parent Group, while the Group's 33%-owned associate SPIA/AFSC is SPIA's sole supplier of jet fuel.

SPIA/AFSC is now in a stronger position to feed on Shanghai's expected burgeoning growth as China's main economic and financial hub. Effective 28 October 2002, all international flights in and out of Shanghai will take off and land at SPIA instead of at Shanghai Hongqiao Airport, as well as some domestic flights; as such, SPIA's passenger traffic and cargo handling volume are anticipated to rise.

The second payment of interim dividends for the year ended 31 December 2002 from CLH amounting to 2.5 million Euros (S\$4.6 million) was only received in March 2003, hence FY2003's total income will reflect this payment.

In view of the above and barring any unforeseen circumstances, the directors are cautiously optimistic about the Group's prospects in 2003.

## 11. Dividend

### **(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	S\$0.01 per share (tax exempt)
Par value of shares	S\$0.05
Tax Rate	-

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?  
Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	S\$0.03125 per share (tax exempt)
Par value of shares	S\$0.05
Tax Rate	-

**(c) Date payable**

The proposed dividend, if approved at the Annual General Meeting, will be paid at a date to be announced.

**(d) Books closure date**

Notice will be given at a later date on the closure of the Share Transfer Books and the Register of Members to determine the shareholders' entitlements to the proposed final dividend.

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

Not Applicable

**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**

<u>By Business Segments</u>	Clean		Black		Crude Oil		Petrochemical		Derivatives		Others		Total
	Petroleum Products	Petroleum Products	Petroleum Products	Petroleum Products	Petroleum Products	Petroleum Products	Petroleum Products	Petroleum Products	Petroleum Products	Petroleum Products	Petroleum Products	Petroleum Products	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	821,839	751,641	572,694	290,274	278,837	0	14,803	15,801	706	(6,935)	745	256	<u>1,689,624</u>
Total Revenue	821,839	751,641	572,694	290,274	278,837	0	14,803	15,801	706	(6,935)	745	256	<u>1,689,624</u>
Segmental Results	821,839	751,641	572,694	290,274	278,837	0	14,803	15,801	706	(6,935)	745	256	<u>1,689,624</u>
Operating profit													56,521
Financial Costs													(1,880)
Profit before tax													54,641
Tax expense													(6,417)
Net Profit													48,224
Total Assets													436,994
Total Liabilities													280,262
<u>By Geographical Segments</u>													
	China		Other Regions		Total								
	2002	2001	2002	2001	2002	2001							
			\$'000	\$'000	\$'000	\$'000							
Sales to external customers	1,088,827	955,876	600,797	95,161	<u>1,689,624</u>	<u>1,051,037</u>							
Total revenue	1,088,827	955,876	600,797	95,161	<u>1,689,624</u>	<u>1,051,037</u>							
Other geographical information:-													
Capital expenditure					7,559	10,549							

**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**

Please refer to note 8.

**15. A breakdown of sales**

	Group S\$'000		% incr/ (decr)
	2002	2001	
Sales reported for first half year	615,598	425,007	44.8%
Operating profit/(loss) after tax before deducting minority interest reported for first half year	17,532	27,456	-36.1%
Sales reported for second half year	1,074,026	626,030	71.6%
Operating profit/(loss) after tax before deducting minority interest reported for second half year	30,692	13,094	134.4%

**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 (2002)	Previous Full Year (2001)
Ordinary	5,760,000	18,000,000
Preference	0	0
Total:	5,760,000	18,000,000

**BY ORDER OF THE BOARD**

Adrian Chang

Company Secretary  
27/03/2003