



Elaboration of Points Discussed At CAO's Annual General Meeting Of Shareholders

26/05/03

In response to queries made by shareholders at China Aviation Oil (Singapore) Ltd's (CAO) Annual General Meeting on 26 May 2003, the Board of Directors wishes to provide the following additional information.

Salary, Bonus and Profit Sharing

As per the Prospectus, the salary, bonus and profit sharing scheme is as follows:

		S\$'000
MD Salary		480
MD Bonus		120
MD Profit sharing:		4,305
1st S\$12 million	0 %	
Next S\$8 million (more than S\$12 million and up to S\$20 million)	7 %	
Next S\$15 million (more than S\$20 million and up to S\$35 million)	9 %	
Above S\$35 million	10%	
Total remuneration		4,905
1. Salary and bonus are fixed.		
2. Profit sharing depends on the profit of the Group. If profit is below S\$12 million, then there is no profit sharing.		
3. MD remuneration as a percentage of:		
Profit before tax	9.0 %	
4. Staff costs (excluding MD's) as a percentage of:		
Profit before tax	5.8%	

The amount paid by the company to the Managing Director has risen owing to the Company's high profitability.

Share Bonus Issue

The company has proposed and received approval from shareholders to issue one bonus share for every five shares held, together with a cash dividend of one Singapore cent per share (payable prior to bonus for FY2002). This compares with 3.125 Singapore cents paid in the prior financial year.

Our decision to provide this form of compensation to shareholders is based on several factors. First, our prospects for further strategic investment remain bright, and several opportunities for lucrative investment of our funds are currently being considered. Maintaining reasonably high net cash balances is an appropriate financial approach for this stage in our development. Second, it is hoped the greater number of shares in public hands will increase their trading liquidity, and result in better returns for our shareholders.

CAO is committed to increasing shareholder value. Against initial shareholder funds of S\$384,000 in 1997 - the dawn of CAO's modern era - equity has grown to S\$176.7 million at the end of 2002 (representing compound annual growth of 247%) and S\$194.9m as of 31 March 2003. Our parent company, which owned 100% of CAO in 1997 and has a 75% stake now, has seen the market value of its stake rise to S\$244 million, inclusive of cash dividends received in 2002 and 2003. Compared with the same S\$384,000 value of equity in 1997, the value of the parent's holdings has grown at a compound rate of 264% a year.

It is precisely because we believe opportunities exist to raise shareholder value even further that we have proposed the bonus share issue in lieu of cash dividends. We fully anticipate that investors who have taken advantage of this bonus share scheme will find their future returns leveraged to an ever greater extent over time.

Reporting in US dollars vs. in Singapore dollars

The question was raised as to whether CAO should report its earnings in US dollars, rather than Singapore dollars as is done currently. We are looking into this matter, but so far have not reached a definitive conclusion. We will follow up with further detail when more information is available.

Use of "CD" and "CA" or "CALL" designations regarding share price

It was suggested that our stock quote should bear the "CD" (cum dividend) and "CA" or "CALL" (cum all) designations, since the proposed cash dividend and stock bonus issue were announced with the release of 2002 results in March 2003. As we have received shareholder approval for the dividend and bonus with respect to Financial Year 2002, the issue is no longer material with respect to that year. However, we will consult with the relevant authorities to determine the appropriate way to deal with this issue in the future.