

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD

First Quarter Financial Statement for the Period Ended 31/03/2004

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		
	Jan-Mar 2004	Jan-Mar 2003	inc/(decr)
	S\$'000	S\$'000	S\$'000
Revenue	583,964	640,423	(56,459)
Cost of Revenue	(568,777)	(626,789)	(58,012)
Gross Profit	15,187	13,634	1,553
Other Income	404	4,854	(4,450)
Distribution costs	(182)	(67)	115
Administration costs	(159)	(127)	32
Other operating costs	(6,223)	(5,494)	729
Profit from operating activities	9,027	12,800	(3,773)
Finance costs	(1,232)	(468)	764
Share of result of associated company	11,172	9,368	1,804
Profit Before Taxation	18,967	21,700	(2,733)
Taxation	(2,768)	(3,568)	(800)
Net Profit After Tax	16,199	18,132	(1,933)

Note 1:

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

Interest on borrowing	185	183	2
Depreciation and amortization	598	799	(201)
FX loss/(gain)	(179)	895	1,074

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.

	Group			Company		
	As at 31-Mar-04 S\$'000	As at 31-Dec-03 S\$'000	incr/(decr) S\$'000	As at 31-Mar-04 S\$'000	As at 31-Dec-03 S\$'000	incr/(decr) S\$'000
Non Current Asset						
Fixed Assets	17,706	17,844	(138)	17,415	17,553	(138)
Subsidiary company	0	0	0	717	722	(5)
Associated company	100,334	91,206	9,128	60,827	60,827	0
Investment	110,251	110,251	0	110,251	110,251	0
	<u>228,291</u>	<u>219,301</u>	8,990	<u>189,210</u>	<u>189,353</u>	(143)
Current Assets						
Inventory	18	4,232	(4,214)	0	4,172	(4,172)
Trade Debtors	59,146	198,983	(139,837)	58,900	198,808	(139,908)
Other Debtors, deposits and prepayments	36,342	37,484	(1,142)	36,006	37,169	(1,163)
Amount due from Holding Company	31,058	31,051	7	31,058	31,051	7
Amount due from Related Company	38,077	37,740	337	38,077	37,682	395
Fixed deposits	57,832	57,764	68	57,802	57,733	69
Cash and bank balances	28,524	10,989	17,535	27,904	10,785	17,119
	<u>250,997</u>	<u>378,243</u>	(127,246)	<u>249,747</u>	<u>377,400</u>	(127,653)
Current Liabilities						
Trade Creditors	97,348	216,016	(118,668)	97,254	215,845	(118,591)
Accrued staff costs	5,813	7,154	(1,341)	5,809	7,127	(1,318)
Other creditors and accruals	19,665	36,404	(16,739)	19,354	36,172	(16,818)
Amount due to Related Company	78,246	78,246	0	78,246	78,246	0
Amount due to Subsidiary Company	0	0	0	0	340	(340)
Trust receipt payables	30,848	29,640	1,208	30,848	29,640	1,208
Provision for taxation	5,845	4,760	1,085	5,841	4,757	1,084
	<u>237,765</u>	<u>372,220</u>	(134,455)	<u>237,352</u>	<u>372,127</u>	(134,775)
Net Current (Liability)	13,232	6,023	7,209	12,395	5,273	7,122
Deferred tax	(82)	(82)	0	(82)	(82)	0
	<u>241,441</u>	<u>225,242</u>	16,199	<u>201,523</u>	<u>194,544</u>	6,979
Capital and reserves						
Share capital	34,560	34,560	0	34,560	34,560	0
Share premium	63,977	63,977	0	63,977	63,977	0
Accumulated profits	118,712	102,513	16,199	78,794	71,815	6,979
Dividend reserve	24,192	24,192	0	24,192	24,192	0
	<u>241,441</u>	<u>225,242</u>	16,199	<u>201,523</u>	<u>194,544</u>	6,979

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

Amount repayable in one year or less, or on demand

As at 31/3/2004

As at 31/12/2003

Secured	Unsecured	Secured	Unsecured
0	30,848	0	29,640

Amount repayable after one year

As at 31/3/2004

As at 31/12/2003

Secured	Unsecured	Secured	Unsecured
0	0	0	0

Details of any collateral

The group's borrowings relate to trust receipt payables

- 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	
	Jan to Mar 04	Jan to Mar 03
	S\$'000	S\$'000
Cash flow from operating activities		
Profit before taxation	18,967	21,700
Adjustments for:		
Depreciation of fixed assets	230	179
Amortization of Goodwill	368	620
Interest expenses	185	183
Interest income	(220)	(154)
Dividend Income- CLH	0	(4,681)
Share of profit of associated company	(11,172)	(9,368)
	<hr/>	<hr/>
Operating profit before reinvestment in working capital	8,358	8,479
(Increase)/decrease in Inventory	4,214	10,548
(Increase)/decrease in trade debtors	139,837	(28,381)
(Increase)/decrease in other debtors, deposits and prepayments	1,142	(11,342)
(Increase)/decrease in amount due from related company	(337)	(8)
(Increase)/decrease in amount due from Holding Company	(7)	0
Increase/(decrease) in trade creditors	(118,668)	48,379
Increase/(decrease) in other creditors and accruals	(16,739)	9,471
Increase/(decrease) in accrued staff costs	(1,341)	382
Increase/(decrease) in trust receipt payables	1,208	(25,757)
	<hr/>	<hr/>
Cash generated from operations	17,667	11,771
Income tax paid	(8)	(729)
Interest received	220	154
Interest paid	(185)	(183)
Net cash from operating activities	<hr/>	<hr/>
	17,694	11,013
Cash flow from investing activities		
Purchase of fixed assets	(91)	0
Expenses incurred in investment in SPIA	0	(128)
Additions in other investments	0	4,681
Net cash used in investing activities	<hr/>	<hr/>
	(91)	4,553
Cash flow from financing activities		
Dividend paid on ordinary shares	0	0
Net cash generated from financing activities	<hr/>	<hr/>
	0	0
Net increase in cash and cash equivalents	17,603	15,566
Cash and cash equivalents at beginning of period	68,753	52,907
	<hr/>	<hr/>
Cash and cash equivalent at end of period	<hr/>	<hr/>
	86,356	68,473

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.

<u>Changes in equity</u>	Group		Company	
	Jan-Mar 04 S\$'000	Jan-Mar 03 S\$'000	Jan-Mar 04 S\$'000	Jan-Mar 03 S\$'000
<u>Issued Share Capital</u>				
Balance at beginning of period	34,560	28,800	34,560	28,800
Balance at end of period	34,560	28,800	34,560	28,800
<u>Share Premium</u>				
Balance at beginning of period	63,977	69,737	63,977	69,737
Balance at end of period	63,977	69,737	63,977	69,737
<u>Accumulated Profits</u>				
Balance at beginning of period	102,513	72,435	71,815	56,045
Profit for the period	16,199	18,132	6,979	10,802
Balance at end of period	118,712	90,567	78,794	66,847
<u>Dividend Reserve</u>				
Balance at beginning of period	24,192	5,760	24,192	5,760
Balance at end of period	24,192	5,760	24,192	5,760
Total Equity	241,441	194,864	201,523	171,144

- 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.

There was no change in the Company's issued share capital for the 3 months period ended March 31, 2004.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at December 31, 2003.

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.**

Not applicable

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

	3 months Jan to Mar 2004	3 months Jan to Mar 2003
(i) Based on the weighted average number of ordinary shares in issue; and	2.3 cents	2.6 cents
(ii) On a fully diluted basis	2.3 cents	2.6 cents
(To disclose the basis used in arriving at the weighted average number of shares for the purposes of (i) above and to provide details of any adjustments made for the purpose of (ii) above)	691,200	691,200

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 financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	3/31/2004	12/31/2003	3/31/2004	12/31/2003
Net asset value per ordinary share based on issued share capital as at the end of the period reported on	34.9 cents	32.6 cents	29.2 cents	28.1 cents
Number of Ordinary shares issued ('000)	691,200	691,200	691,200	691,200

8. **A review of the performance of the group, to the extent necessary for a reasonable**

understanding of the group's business. It must include a discussion of the following:-

(a) 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; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

On a comparable basis, excluding the dividend from CLH in 2003, the Group achieved an increase in net profit after tax of 12.6% to S\$16.2 million.

The results for the 1st quarter 2003 included a dividend of S\$ 4.7 million from CLH, which was received and booked in 1Q 2003.

There was no dividend for 1Q 2004 as the corresponding dividend was received and booked in the last quarter of 2003.

If the dividend received in 1Q 2003 was included, the net profit decreased by 10.7%.

All segments of the Group contributed to the net profit of the Group. Investment profit contributions this quarter came from the

equity accounting for 33% share of the results of Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong").

International oil trading and jet fuel procurement also contributed to the net profit of the Group.

In view of the market turbulence and the high trading risks during the period, the management took a conservative stance to

control the trading volume. Therefore turnover decreased by S\$56.5 million or 8.8% though the Group's jet fuel procurement to China has increased.

The conscious effort by the Group to exercise caution resulted in a higher gross profit of S\$15.2 million, an increase of 11.4% despite a reduction of turnover of 8.8%.

Operating expenses increased by 26.6% due to increases in staff and travel costs. In addition, the Group paid an extension fee to the

banks for extending the availability period of the syndicated loan, which has not been drawn down.

During the 1st quarter, the Group announced an agreement to acquire a 24.5% stake in South China Bluesky Aviation Oil Co Ltd ("Bluesky").

The Group also announced the signing of a non-binding Memorandum of Understanding ("MOU") with Emirates National Oil Company

Limited ("ENOC") to take up a 20% equity stake in Horizon Terminals Limited ("HTL"). A separate MOU was signed with HTL for CAO to

take a 25% equity stake in a joint venture to build, own and operate a bulk liquid terminal in Banyan on Singapore's Jurong Island.

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

The results for the reporting period are in line with the Full Year 2003 Financial Statement and Dividend Announcement, made previously in February 2004.

10. A commentary at the date of the announcement of the significant trends and 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 April 2004, a SARS suspect was diagnosed in Beijing. This brought back memories of the SARS episode in 2003 when the number of travelers was significantly reduced with dire impact on the profitability of airlines, tourism and jet fuel sales. Though several cases were subsequently confirmed, the authorities in China moved quickly and brought the situation under control. Jet fuel sales have not been affected by the SARS cases as the volume for the 2Q 2004 reached 630,000 metric tonnes, and in the words of Mr Chen Jiulin, Managing Director and CEO of CAO, this is "a clear signal that China's aviation industry is confident of continual performance despite the initial cases of SARS reported in China".

The due diligence on the acquisition of Bluesky has been completed and an application has been filed with the Chinese authorities for the approval of the acquisition. Discussions are also underway with ENOC on the acquisition of HTL shares and also the joint venture bulk liquid terminal.

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

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been proposed or declared for this reporting period ended March 31, 2004.

**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.

Not Applicable

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.

Not Applicable

15. A breakdown of sales:-

Not Applicable

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

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:		

PURSUANT TO RULE 920(1)(a)(ii) OF THE LISTING MANUAL

Aggregate value of interested person transactions entered from January 1, 2004 to March 31, 2004.

Name of interested person	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)
	S\$'000
Sale of physical jet fuel to Parent Group	335,507

BY ORDER OF THE BOARD

Adrian Chang
Company Secretary
13/05/2004