



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)
Third Quarter Financial Statement For The Period Ended 30 September 2014

PART I - INFORMATION REQUIRED FOR 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.

These figures have not been audited:

	Group			Group		
	3Q 2014	3Q 2013	Variance	YTD 3Q 2014	YTD 3Q 2013	Variance
	US\$'000	US\$'000	+/- %	US\$'000	US\$'000	+/- %
Revenue (Note 1)	4,777,271	3,667,547	30.26%	12,737,988	11,218,577	13.54%
Cost of sales	(4,780,115)	(3,660,428)	30.59%	(12,715,173)	(11,177,645)	13.76%
Gross Profit	(2,844)	7,119	NM	22,815	40,932	-44.26%
Other operating income (Note 2)	451	2	NM	648	188	244.68%
Administrative expenses	(4,375)	(6,887)	-36.47%	(11,874)	(14,313)	-17.04%
Other operating expenses	(252)	(695)	-63.74%	(1,742)	(1,896)	-8.12%
Finance costs	(520)	(1,066)	-51.22%	(1,909)	(3,623)	-47.31%
Operating Profit	(7,540)	(1,527)	-393.78%	7,938	21,288	-62.71%
Share of results of associates (net of tax) (Note 3)	15,172	23,994	-36.77%	38,571	37,133	3.87%
Profit before income tax	7,632	22,467	-66.03%	46,509	58,421	-20.39%
Tax expense (Note 4)	(310)	(640)	-51.56%	(1,776)	(1,698)	4.59%
PROFIT FOR THE PERIOD	7,322	21,827	-66.45%	44,733	56,723	-21.14%
Attributable to:						
Equity holders of the Company	7,322	21,827	-66.45%	44,733	56,723	-21.14%

Consolidated statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

	Group			Group		
	3Q 2014	3Q 2013	Variance	YTD 3Q 2014	YTD 3Q 2013	Variance
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
PROFIT FOR THE PERIOD	7,322	21,827	-66.45%	44,733	56,723	-21.14%
Other comprehensive income:						
Items that are or may be reclassified subsequently to profit or loss:						
Exchange differences on translation of the financial statements of foreign associates	621	2,854	-78.24%	(2,292)	2,488	NM
Other comprehensive income for the period, net of tax	621	2,854	-78.24%	(2,292)	2,488	NM
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,943	24,681	-67.82%	42,441	59,211	-28.32%
Total comprehensive income attributable Owners of the parent	7,943	24,681	-67.82%	42,441	59,211	-28.32%

Exchange differences on translation of the financial statements of foreign associates will be reclassified to profit and loss in the event of a disposal of the investments in foreign associates.

Profit before income tax is derived at after crediting / (charging):

	Group			Group		
	3Q 2014	3Q 2013	Var	YTD 3Q 2014	YTD 3Q 2013	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Depreciation of property, plant and equipment	(202)	(199)	1.51%	(605)	(596)	1.51%
Amortisation of intangible assets	(171)	(107)	59.81%	(514)	(874)	-41.19%
Interest expense	(227)	(354)	-35.88%	(673)	(1,189)	-43.40%
Bank interest income	58	73	-20.55%	189	166	13.86%
Write back for doubtful debts	-	55	NM	-	55	NM
Foreign exchange gain/(loss)	393	(71)	NM	459	22	1986.36%

Note 1: Revenue

	Group			Group		
	3Q 2014	3Q 2013	Var	YTD 3Q 2014	YTD 3Q 2013	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Revenue from middle distillates	3,920,670	2,999,715	30.70%	9,638,879	9,237,529	4.34%
Revenue from other oil products	856,601	667,832	28.27%	3,099,109	1,981,048	56.44%
	4,777,271	3,667,547	30.26%	12,737,988	11,218,577	13.54%

Note 2: Other operating income

	Group			Group		
	3Q 2014 US\$'000	3Q 2013 US\$'000	Var + / - %	YTD 3Q 2014 US\$'000	YTD 3Q 2013 US\$'000	Var + / - %
Bank interest income	58	73	-20.55%	189	166	13.86%
Foreign exchange gain/(loss)	393	(71)	NM	459	22	NM
	451	2	NM	648	188	244.68%

Note 3: Share of results of associates

	Group			Group		
	3Q 2014 US\$'000	3Q 2013 US\$'000	Var + / - %	YTD 3Q 2014 US\$'000	YTD 3Q 2013 US\$'000	Var + / - %
Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong")	15,598	20,822	-25.09%	37,264	36,565	1.91%
China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL")	501	577	-13.17%	1,485	1,524	-2.56%
China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan")	166	63	163.49%	277	300	-7.67%
Oilhub Korea Yeosu Co., Ltd ("OKYC")	(1,093)	2,532	NM	(455)	(1,256)	-63.77%
	15,172	23,994	-36.77%	38,571	37,133	3.87%

Note 4: Tax expense

The tax expense was mainly attributable to the recognition of deferred tax liabilities on the Company's share of undistributed retained earnings from associates and provision of income tax by a subsidiary during the period. The undistributed retained earnings from the Group's investments in associates incorporated in China is subject to withholding tax.

NM denotes "not meaningful"

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

Statement of Financial Position

	Group		Company	
	As at 30 Sep 14 US\$'000	As at 31 Dec 13 US\$'000	As at 30 Sep 14 US\$'000	As at 31 Dec 13 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	6,903	7,377	6,844	7,323
Intangible assets	2,301	2,815	1,120	1,634
Subsidiaries	-	-	28,114	28,095
Associates and jointly-controlled entity	268,797	267,761	81,236	81,236
Trade and other receivables	-	-	35,480	35,573
Deferred tax assets	7,587	7,087	7,583	7,083
	<u>285,588</u>	<u>285,040</u>	<u>160,377</u>	<u>160,944</u>
Current assets				
Inventories	85,271	113,125	79,608	110,197
Trade and other receivables	1,580,519	1,120,426	1,413,326	1,020,035
Cash and cash equivalents	76,868	56,299	55,892	52,617
	<u>1,742,658</u>	<u>1,289,850</u>	<u>1,548,826</u>	<u>1,182,849</u>
Total assets	<u>2,028,246</u>	<u>1,574,890</u>	<u>1,709,203</u>	<u>1,343,793</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	215,573	215,573	215,573	215,573
Retained earnings	301,371	272,241	194,948	170,016
Other components of equity	35,365	35,748	(5,482)	(5,482)
Total equity	<u>552,309</u>	<u>523,562</u>	<u>405,039</u>	<u>380,107</u>
Non-current liabilities				
Deferred tax liabilities	6,243	6,228	-	-
Current liabilities				
Trade and other payables	1,447,860	1,016,120	1,304,164	963,006
Loans and borrowings	21,046	28,609	-	680
Current tax liabilities	788	371	-	-
	<u>1,469,694</u>	<u>1,045,100</u>	<u>1,304,164</u>	<u>963,686</u>
Total liabilities	<u>1,475,937</u>	<u>1,051,328</u>	<u>1,304,164</u>	<u>963,686</u>
Total equity and liabilities	<u>2,028,246</u>	<u>1,574,890</u>	<u>1,709,203</u>	<u>1,343,793</u>

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

Amount repayable in one year or less, or on demand

As at 30 Sep 2014		As at 31 Dec 2013	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
0	21,046	17,209	11,400

Amount repayable after one year

As at 30 Sep 2014		As at 31 Dec 2013	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
0	0	0	0

1(c) A consolidated statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	3Q 2014	3Q 2013	YTD 3Q 2014	YTD 3Q 2013
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Profit for the period	7,322	21,827	44,733	56,723
Adjustments for items not involving outlay of funds:-				
Depreciation of property, plant and equipment	202	199	605	596
Amortisation of intangible assets	171	107	514	874
Write back for doubtful debts	-	(55)	-	(55)
Share of results of associates (net of tax)	(15,172)	(23,994)	(38,571)	(37,133)
Interest income	(58)	(73)	(189)	(166)
Interest expense	227	354	673	1,189
Tax expense	310	641	1,776	1,698
Share-based payment	-	-	-	(271)
Unrealised exchange differences	(97)	(4)	(220)	(123)
	<u>(7,095)</u>	<u>(998)</u>	<u>9,321</u>	<u>23,332</u>
Changes in working capital				
Inventories	39,237	(49,146)	27,854	(54,965)
Trade and other receivables	(278,981)	2,667	(429,312)	259,503
Trade and other payables	255,698	(2,853)	431,970	(257,245)
	<u>8,859</u>	<u>(50,330)</u>	<u>39,833</u>	<u>(29,375)</u>
Tax paid	(137)	(3)	(139)	(3)
Cash flows from/(used in) operating activities	<u>8,722</u>	<u>(50,333)</u>	<u>39,694</u>	<u>(29,378)</u>
Investing activities				
Interest received	58	78	195	166
Purchase of property, plant and equipment	(94)	(22)	(131)	(96)
Purchase of intangible assets	-	(66)	(216)	(1,071)
Dividends received from associate	2,737	181	2,737	181
Cash flows from/(used in) investing activities	<u>2,701</u>	<u>171</u>	<u>2,585</u>	<u>(820)</u>
Financing activities				
Interest paid	(227)	(352)	(673)	(1,187)
Proceeds from loans and bank borrowings	184,903	57,522	326,212	192,364
Repayment of loans and bank borrowings	(187,115)	(91,621)	(333,775)	(165,349)
Dividend paid	-	-	(13,694)	(11,569)
Cash flows (used in)/from financing activities	<u>(2,439)</u>	<u>(34,451)</u>	<u>(21,930)</u>	<u>14,259</u>
Net increase/(decrease) in cash and cash equivalents	8,984	(84,613)	20,349	(15,939)
Cash and cash equivalents at beginning of the period	67,787	149,937	56,299	81,144
Net effect of exchange rate fluctuations on cash held	97	4	220	123
Cash and cash equivalents at end of the period	<u>76,868</u>	<u>65,328</u>	<u>76,868</u>	<u>65,328</u>

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity

	Share capital US\$'000	Retained earnings US\$'000	Treasury shares US\$'000	Share option reserve US\$'000	Foreign currency translation reserve US\$'000	Statutory reserve US\$'000	Other reserve US\$'000	Total equity US\$'000
THE GROUP								
As at 1 January 2013	215,573	213,989	(5,482)	271	26,888	8,694	-	459,933
Total comprehensive income for the period	-	56,723	-	-	2,488	-	-	59,211
Dividend paid in respect of 2012	-	(11,569)	-	-	-	-	-	(11,569)
Transfer from retained earnings to statutory reserve	-	(3)	-	-	-	3	-	-
Share-based payment transaction	-	-	-	(271)	-	-	-	(271)
As at 30 September 2013	215,573	259,140	(5,482)	-	29,376	8,697	-	507,304
As at 1 January 2014	215,573	272,241	(5,482)	-	32,141	9,089	-	523,562
Total comprehensive income for the period	-	44,733	-	-	(2,292)	-	-	42,441
Dividend paid in respect of 2013	-	(13,694)	-	-	-	-	-	(13,694)
Transfer from retained earnings to other reserve	-	(1,909)	-	-	-	2	1,907	-
As at 30 September 2014	215,573	301,371	(5,482)	-	29,849	9,091	1,907	552,309

Statement of Changes in Equity

	Share capital US\$'000	Retained earnings US\$'000	Share option reserve US\$'000	Treasury shares US\$'000	Total equity US\$'000
THE COMPANY					
As at 1 January 2013	215,573	117,253	271	(5,482)	327,615
Total comprehensive income for the period	-	56,825	-	-	56,825
Dividend paid in respect of 2012	-	(11,569)	-	-	(11,569)
Share-based payment transaction	-	-	(271)	-	(271)
As at 30 September 2013	215,573	162,509	-	(5,482)	372,600
As at 1 January 2014	215,573	170,016	-	(5,482)	380,107
Total comprehensive income for the period	-	38,626	-	-	38,626
Dividend paid in respect of 2013	-	(13,694)	-	-	(13,694)
As at 30 September 2014	215,573	194,948	-	(5,482)	405,039

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.

Share Capital

There were no movements in the Company's share capital for the quarter ended 30 September 2014.

China Aviation Oil Share Option Scheme

China Aviation Oil Share Option Scheme of the Company (“**CAO Share Option Scheme**”) which was approved by shareholders at an extraordinary general meeting of the Company held on 9 November 2001, expired on 9 November 2011. However, share options granted and outstanding prior to such expiry will continue to be valid and be subject to the terms of the CAO Share Option Scheme (and as amended pursuant to the terms of the CAO Share Option Scheme).

The option period in respect of the Executive Share Options (as defined under the CAO Share Option Scheme) commenced on 9 October 2013 and expires on the date immediately preceding the tenth anniversary of the date of grant i.e. 9 October 2011 (“**Date of Grant**”). Non-Executive Share Options (as defined under the CAO Share Option Scheme) commenced on 9 October 2013 and expires on the date immediately preceding the fifth anniversary of the Date of Grant.

As at 30 September 2014, there were 1,761,867 outstanding share options (31 December 2013: 3,444,600 share options) after taking into account 1,640,400 share options which ceased to be exercisable under the CAO Share Option Scheme due to vesting conditions not met and 42,333 share options which lapsed during the same period due to staff resignation (“**Outstanding Share Options**”). The Outstanding Share Options, when exercisable, would entitle the holders to subscribe for a total of 1,761,867 ordinary shares (31 December 2013: 3,444,600 ordinary shares) of the Company at a weighted average exercise price of S\$0.91 per share.

The Outstanding Share Options as at 30 September 2014 constitute approximately 0.20% of the total issued shares of the Company (including treasury shares held by the Company).

Treasury shares

During the quarter ended 30 September 2014, the Company did not make any purchase of its own ordinary shares pursuant to the Share Purchase Mandate renewed at the Extraordinary General Meeting of the Company held on 24 April 2014.

As at 30 September 2014, a total of 6,000,000 ordinary shares (31 December 2013: 6,000,000 ordinary shares) were held by the Company as treasury shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Number of Shares	3Q 2014	3Q 2013	YTD 3Q 2014	YTD 3Q 2013
Issued ordinary shares				
Balance at beginning	866,183,628	722,820,537	722,820,537	722,820,537
Bonus share issue	-	-	143,363,091	-
Balance at end of period	866,183,628	722,820,537	866,183,628	722,820,537
Treasury shares				
Balance at beginning of period	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
Additions during the period	-	-	-	-
Balance at end of period	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
Total	860,183,628	716,820,537	860,183,628	716,820,537

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

These figures have not been audited or reviewed.

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.

Except for the adoption of new and revised Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT-FRS") as mentioned in item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those adopted for the audited consolidated financial statements for the year ended 31 December 2013.

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.

The Group has adopted all new and revised FRS and INT-FRS that are relevant to its operations and effective for annual periods beginning after 1 January 2014. The adoption of the new and revised FRS had no significant impact on the financial statements of the Group.

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.

	3Q 2014	3Q 2013	YTD 3Q 2014	YTD 3Q 2013
Earnings per ordinary share for the period based on net profit attributable to owners of the Company:-				
(a) Based on weighted average number of ordinary share on issue	0.85 US cents	2.54 US cents	5.20 US cents	6.59 US cents
- Weighted average number of shares ('000)*	860,184	860,184	860,184	860,184
(b) On a fully diluted basis	0.85 US cents	2.53 US cents	5.20 US cents	6.56 US cents
- Adjusted weighted average number of shares ('000)*	860,184	863,746	860,184	864,201

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding. The outstanding share options were assessed to be anti-dilutive for the period ended 30 September 2014.

* The basic and diluted earnings per share are adjusted for transactions that adjust the number of shares without a corresponding change in resources. The effects of the bonus shares, issued on 5 March 2014, have been included in the basic and diluted earnings per share calculation for the period ended 30 September 2014 and 30 September 2013.

- 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:
- current financial period reported on; and
 - immediately preceding financial year.

	Group		Company	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
Net asset value per ordinary share based on issued share capital at the end of the period reported on (US cents)	64.21	73.04	47.09	53.03
Number of ordinary shares issued ('000)	860,184	716,821	860,184	716,821

Net asset value per ordinary share is determined based on net asset value attributable to owners of the Company and the number of shares in issue of the Company as at 30 September 2014 and 31 December 2013 (excluding treasury shares).

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

PERFORMANCE REVIEW

BACKGROUND

The principal activities of the Group are jet fuel supply and trading, trading of other oil products and investments in oil-related assets. Consequently, income is derived from (i) supply and trading of jet fuel (ii) trading in other oil products and (iii) investments in oil related businesses.

CAO is the largest physical jet fuel trader in Asia Pacific region and the sole supplier of imported jet fuel to the civil aviation industry of the People's Republic of China ("PRC"). CAO also engage in international trading of jet fuel and other oil products. The Company has wholly-owned subsidiaries located in Hong Kong, North America and United Kingdom; viz. China Aviation Oil (Hong Kong) Company Limited ("CAOHK"), North American Fuel Corporation ("NAFCO") and China Aviation Oil (Europe) Limited ("CAO Europe") respectively.

In addition, CAO Group owns investments in strategic oil-related businesses, which include Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong"), China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL"), China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan") and Oilhub Korea Yeosu Co., Ltd ("OKYC"). The Group had also entered into a joint venture contract on 4 September 2013 for the establishment of a joint venture company in Hong Kong known as CNAF Hong Kong Refuelling Limited ("CNAF HKRL") through its subsidiary, CAOHK. The Group had invested US\$5 million which represents a 39% equity interest in CNAF HKRL. CNAF HKRL's refuelling facilities is currently under construction and is expected to complete in 2015.

Consolidated Statement of Comprehensive Income

3rd Qtr 2014 v 3rd Qtr 2013

The total supply and trading volume for jet fuel and other oil products increased by 1.58 million tonnes (40.89%) to 5.45 million tonnes for the third quarter ended 30 September 2014 ("3Q 2014") compared to 3.87 million tonnes for the third quarter ended 30 September 2013 ("3Q 2013"). The volume of jet fuel supply and trading increased by 0.77 million tonnes (30.20%) to 3.32 million tonnes for 3Q 2014 compared to 2.55 million tonnes for 3Q 2013. The trading volume of other oil products increased by 0.81 million tonnes (61.36%) to 2.13 million tonnes for 3Q 2014 compared to 1.32 million tonnes for 3Q 2013.

Total revenue increased by US\$1,109.72 million (30.26%) to US\$4,777.27 million for 3Q 2014 from US\$3,667.55 million for 3Q 2013, attributable mainly to the increase in volume.

The Group incurred a loss of US\$2.84 million in gross profit for 3Q 2014 compared to a profit of US\$7.12 million for 3Q 2013, mainly attributable to losses incurred in trading of other oil products as demand for fuel oil remained depressed and the market for petrochemical products was highly volatile and lower optimisation gain from trading of jet fuel.

Other operating income for 3Q 2014, which comprised foreign exchange gain of US\$0.39 million resulting from revaluation differences on foreign currency balances against the US Dollar and bank interest income of US\$0.06 million derived from time deposits placed with banks, was US\$0.45 million. Other operating income for 3Q 2013 was US\$2,000, of which bank interest income was US\$73,000 offset by the foreign exchange loss of US\$71,000.

Total expenses decreased by US\$3.50 million (40.46%) to US\$5.15 million for 3Q 2014 compared to US\$8.65 million for 3Q 2013. The decrease in expenses was mainly attributable to i) lower staff costs due to lower provision of staff bonuses which was in line with the Company's performance and in accordance with the Company's remuneration policy; ii) lower professional fee incurred for business expansion; and iii) reduction in finance costs relating to bank charges and interest expense.

The share of profits from associates was US\$15.17 million for 3Q 2014 compared to US\$23.99 million for 3Q 2013, a decrease of 36.77% mainly attributable to lower share of profits in Pudong and share of loss from OKYC. The share of profits in Pudong was US\$15.60 million for 3Q 2014 compared to US\$20.82 million for 3Q 2013, a decrease of US\$5.22 million (25.09%) mainly due to a one-off credit resulting from the reversal of provision for past claims relating to customs duties and value added tax of US\$11.92 million in 3Q 2013. Excluding the one-off credit in 3Q 2013, the contribution from Pudong has increased US\$6.70 million (75.28%) on the back of increase in refuelling volume and lower procurement costs.

Share of results from OKYC was a loss of US\$1.09 million for 3Q 2014 compared to a profit of US\$2.53 million for 3Q 2013, mainly due to the recognition of mark-to-market ("MTM") loss and gain respectively from its cross currency interest rate swap ("CSR") contracts denominated in Korea Won. OKYC entered into CSR contracts to hedge against future revenue in US Dollar. However, it could not qualify for hedge accounting in accordance with International Financial Reporting Standards ("IFRS"). As such, accounting treatment requires the MTM gain or loss to be recorded in the Income Statement.

Share of profits from TSN-PEKCL for 3Q 2014 was US\$0.50 million compared to US\$0.58 million for 3Q 2013, a decrease of 13.17%, attributable mainly to lower revenue from decline in pipeline transportation volume. The share of results in Xinyuan increased by US\$0.11 million (163.49%) to US\$0.17 million for 3Q 2014 compared to US\$0.06 million for 3Q 2013, mainly due to higher rental income of its oil storage tanks.

Income tax expense was US\$0.31 million for 3Q 2014 compared to US\$0.64 million for 3Q 2013, a decrease of 51.56% due mainly to the recognition of deferred tax assets in 3Q 2013 in relation to the Company's tax losses carried forward, partially offset by higher provision of income tax of a subsidiary and higher recognition of deferred tax liabilities on the Company's share of undistributed retained earnings from associates.

The Group's net profit for 3Q 2014 was US\$7.32 million compared to US\$21.83 million for 3Q 2013, a decrease of US\$14.51 million (66.45%), mainly due to negative gross profit and lower contribution from share of results of associates. Excluding the one-off credit of US\$11.92 million from share of profit in associates in 3Q 2013, the Group's net profit for 3Q 2014 would be a decline of US\$2.59 million (26.14%). Earnings per share was 0.85 US cents for 3Q 2014 compared to 2.54 US cents for 3Q 2013.

3rd Qtr 2014 v 2nd Qtr 2014

The total supply and trading volume for jet fuel and other oil products increased by 0.95 million tonnes (21.11%) to 5.45 million tonnes for 3Q 2014 compared to 4.50 million tonnes for the second quarter ended 30 June 2014 ("2Q 2014").

Consequently, total revenue increased by US\$843.41 million (21.44%) to US\$4,777.27 million for 3Q 2014 from US\$3,933.86 million for 2Q 2014.

The US\$2.84 million loss incurred in gross profit for 3Q 2014 compared to a profit of US\$11.17 million for 2Q 2014, was mainly attributable to losses incurred in trading of other oil products as demand for fuel oil remained depressed and the market for petrochemical products was highly volatile and lower optimisation gain from trading of jet fuel.

Other operating income was US\$0.45 million for 3Q 2014 compared to negative US\$0.08 million for 2Q 2014, mainly due to foreign exchange gain of US\$0.39 million in 3Q 2014 compared to foreign exchange loss of US\$0.16 million in 2Q 2014.

Total expenses was US\$5.15 million for 3Q 2014 compared to US\$6.33 million for 2Q 2014, a decrease of US\$1.18 million (18.64%), mainly due to the decrease in professional fee incurred for business expansion.

The share of profits from associates was US\$15.17 million for 3Q 2014 compared to US\$13.79 million for 2Q 2014, an increase of 10.01%. This was mainly attributable to higher share of profits from Pudong partially offset by the share of loss from OKYC. Share of profits from Pudong was US\$15.60 million for 3Q 2014 compared to US\$11.52 million for 2Q 2014, an increase of US\$4.08 million (35.42%) due to the increase in refuelling volume that led to higher revenue coupled with lower cost of sales attributable to lower procurement costs.

The share of loss from OKYC was US\$1.09 million for 3Q 2014 compared to a share of profit of US\$1.73 million for 2Q 2014, mainly due to the recognition of MTM loss and gain respectively from its CSR contracts denominated in Korea Won.

Share of profits from TSN-PEKCL for 3Q 2014 was US\$0.50 million, same level as 2Q 2014. The share of results in Xinyuan increased by US\$0.12 million (240.00%) to US\$0.17 million for 3Q 2014 compared to US\$0.05 million for 2Q 2014 owing to higher rental income from its oil storage tanks.

Income tax expense was US\$0.31 million for 3Q 2014 compared to US\$0.81 million for 2Q 2014, a decrease of 61.73% due mainly to the recognition of deferred tax assets in 3Q 2014 in relation to the Company's tax losses carried forward.

The Group's net profit for 3Q 2014 was US\$7.32 million compared to US\$17.74 million for 2Q 2014, a decrease of US\$10.42 million (58.74%), mainly due to the trading loss incurred from trading activities. Earnings per share was 0.85 US cents for 3Q 2014 compared to 2.06 US cents for 2Q 2014.

YTD 3Q 2014 v YTD 3Q 2013

The total supply and trading volume for jet fuel and other oil products increased by 2.75 million tonnes (23.32%) to 14.54 million tonnes for the nine months ended 30 September 2014 ("YTD 3Q 2014") compared to 11.79 million tonnes for the nine months ended 30 September 2013 ("YTD 3Q 2013"). The volume of jet fuel supply and trading increased by 0.27 million tonnes (3.44%) to 8.12 million tonnes for YTD 3Q 2014 compared to 7.85 million tonnes for YTD 3Q 2013. The trading volume of other oil products increased by 2.48 million tonnes (62.94%) to 6.42 million tonnes for YTD 3Q 2014 compared to 3.94 million tonnes for YTD 3Q 2013.

Total revenue increased by US\$1,519.41 million (13.54%) to US\$12,737.99 million for YTD 3Q 2014 from US\$11,218.58 million for YTD 3Q 2013. This was mainly attributable to the increase in trading volumes. Please see breakdown under note 1 on page 2.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$22.82 million for YTD 3Q 2014, a decrease of 44.26% compared to US\$40.93 million for YTD 3Q 2013. This was mainly attributable to the decrease in trading gains as a result of lower optimisation gain from trading of jet fuel and losses incurred in trading of other oil products as demand for fuel oil remained depressed and the market for petrochemical products was highly volatile as well as higher storage costs for fuel oil.

Other operating income was higher at US\$0.65 million for YTD 3Q 2014 compared to US\$0.19 million for YTD 3Q 2013, an increase of 244.68% mainly attributable to higher foreign exchange gain resulting from revaluation differences on the foreign currency balances against the US Dollar.

Total expenses decreased by US\$4.30 million (21.68%) to US\$15.53 million for YTD 3Q 2014 compared to US\$19.83 million for YTD 3Q 2013, mainly due to lower provision of staff related costs which was in line with

the Company's performance and in accordance with the Company's remuneration policy and lower finance cost relating to bank charges and interest expense.

The share of profits from associates was US\$38.57 million for YTD 3Q 2014 compared to US\$37.13 million for YTD 3Q 2013, an increase of US\$1.44 million or 3.87%, mainly due to a higher share of profits from Pudong and lower share of loss from OKYC. The share of profits from Pudong was US\$37.26 million for YTD 3Q 2014 compared to US\$36.57 million for YTD 3Q 2013, an increase of US\$0.69 million (1.91%). Excluding the one-off credit resulting from the reversal of provision for past claims relating to customs duties and value added tax of US\$11.92 million in YTD 3Q 2013, the contribution from Pudong would have increased by 51.16%, mainly due to the increase in refueling volume that led to higher revenue coupled with lower cost of sales attributable to lower procurement costs.

Share of loss from OKYC was US\$0.46 million for YTD 3Q 2014 compared to share of loss of US\$1.26 million for YTD 3Q 2013, an improvement of US\$0.80 million. The share of loss in YTD 3Q 2014 was mainly due to the costs incurred in resolving a contractual dispute partially offset by the recognition of MTM gain from its CSR contracts denominated in Korea Won whereas the share of loss for YTD 3Q 2013 was largely due to the recognition of MTM loss of its CSR contracts. OKYC entered into CSR contracts to hedge against future revenue in US Dollar. However, as it could not qualify for hedge effectiveness in accordance with IFRS, accounting treatment requires the MTM gain or loss to be recorded in the Income Statement.

Share of profits from TSN-PEKCL was US\$1.49 million for YTD 3Q 2014 compared to US\$1.52 million for YTD 3Q 2013, decrease of 2.56% attributable mainly to lower revenue from decline in pipeline transportation volume. The share of results in Xinyuan decreased by US\$0.02 million (7.67%) to US\$0.28 million for YTD 3Q 2014 compared to US\$0.30 million for YTD 3Q 2013, mainly due to higher operating expenses.

Income tax expense was US\$1.78 million for YTD 3Q 2014 compared to US\$1.70 million for YTD 3Q 2013, an increase of 4.59% due mainly to higher provision of income tax of a subsidiary and higher recognition of deferred tax liabilities on the Company's share of undistributed retained earnings from associates.

The Group's net profit for YTD 3Q 2014 was US\$44.73 million compared to US\$56.72 million for YTD 3Q 2013, a decrease of US\$11.99 million (21.14%), mainly attributable to the decrease in gross profit. Excluding the one-off credit of US\$11.92 million from share of profit in associates in YTD 3Q 2013, the Group's net profit for YTD 3Q 2014 would be a year-on-year decline of US\$0.07 million (0.16%). Earnings per share was 5.20 US cents for YTD 3Q 2014 compared to 6.59 US cents for YTD 3Q 2013.

Statement of Financial Position

The Group's current assets stood at US\$1,742.66 million as at 30 September 2014 compared to US\$1,289.85 million as at 31 December 2013. The increase of US\$452.81 million in current assets resulted mainly from:

- (i) a decrease of US\$27.85 million in inventories held for trading;
- (ii) an increase of US\$460.09 million in trade and other receivables to US\$1,580.52 million as at 30 September 2014 from US\$1,120.43 million as at 31 December 2013 due to higher sales revenue in September 2014 compared to December 2013; and
- (iii) an increase of US\$20.57 million in cash and cash equivalents which was mainly attributable to the aggregate cash inflow of US\$42.28 million from operating and investing activities partially offset by the cash outflow of US\$21.93 million from financing activities.

Non-current assets stood at US\$285.59 million as at 30 September 2014, compared to US\$285.04 million as at 31 December 2013.

Current liabilities comprised trade and other payables, bank borrowings and tax payables, increased by US\$424.59 million to US\$1,469.69 million as at 30 September 2014 compared to US\$1,045.10 million as at 31 December 2013. This was mainly due to the increase in trade payables in September 2014 compared to December 2013.

Non-current liabilities were attributable to the recognition of deferred tax liabilities on the Company's share of undistributed retained earnings of associates. The undistributed retained earnings from associates is subject to withholding tax.

The Group's net assets stood at US\$552.31 million as at 30 September 2014, or 64.21 US cents per share, compared to US\$523.56 million as at 31 December 2013 or 73.04 US cents per share. Lower net asset value per

share was attributable to the effect of the 143,363,091 bonus shares issued on 5 March 2014 and the dividend payout in May 2014.

Consolidated Statement of Cash Flows
3Q 2014 v 3Q 2013

The net cash generated from operating activities was US\$8.72 million in 3Q 2014 compared to net cash used in operating activities of US\$50.33 million in 3Q 2013, attributable mainly to lower working capital requirements for trading activities.

Cash flows generated from investing activities amounted to US\$2.70 million in 3Q 2014 compared to US\$0.17 million generated in 3Q 2013 attributable mainly to the dividend received from an associate.

Cash flows used in financing activities of US\$2.44 million in 3Q 2014 compared US\$34.45 million used in 3Q 2013 was mainly attributable to lower net cash outflow from the repayment of bank borrowings and receipts from banks.

YTD 3Q 2014 v YTD 3Q 2013

The net cash generated from operating activities was US\$39.69 million in YTD 3Q 2014 compared to net cash used in operating activities of US\$29.38 million in YTD 3Q 2013 mainly due to lower working capital requirements for trading activities.

Cash flows generated from investing activities amounted to US\$2.59 million in YTD 3Q 2014 compared to US\$0.82 million used in YTD 3Q 2013 mainly due to the dividend received from an associate and lower cash used for IT software.

Cash flows used in financing activities of US\$21.93 million in YTD 3Q 2014 compared to cash flows generated from financing activities of US\$14.26 million in YTD 3Q 2014 attributable mainly to higher repayment of bank borrowings.

- 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 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.

The demand for jet fuel continues to increase in tandem with the growth in China's civil aviation industry. However, due to the vagaries of the global economy, geopolitical instability, complexity around supply and demand relationships and an unpredictable oil market, the trading environment is extremely challenging. The challenges in the oil market experienced in the third quarter is expected to continue in the fourth quarter. CAO will continue to focus on building a global trading network so as to expand its core jet supply and trading business globally, including expanding its aviation marketing business into more airports outside China. The Company will also continue to monitor the market closely and based on the foundation of stringent risk control, to expand on its diversification into trading activities in other oil products as well as seeking opportunities to invest in or acquire strategic oil assets or synergetic businesses in line with its corporate strategy to diversify its income streams.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on? No

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.

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

No interim dividend has been declared for the period ended 30 September 2014.

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual

Aggregate value of interested person transactions entered from 1 January 2014 to 30 September 2014.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than US\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than US\$100,000)	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than US\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than US\$100,000)
	3Q 2014 US\$'000	3Q 2014 US\$'000	YTD 3Q 2014 US\$'000	YTD 3Q 2014 US\$'000
Sales revenue from related corporations	0	1,105,739	0	2,916,203
Sales revenue from related corporation of a corporate shareholder	0	152,779	0	348,038
Purchases from related corporations	0	68,971	0	182,424
Purchases from related corporation of a corporate shareholder	0	234,525	0	395,791
Services rendered from related corporation of a corporate shareholder	0	136	0	405
Gain from trading of derivative financial instrument with related corporation of a corporate shareholder	0	0	0	20
Supply chain services rendered from related corporation	0	2,842	0	5,695
Supply chain services rendered from related corporation of a corporate shareholder	0	0	0	224
Interest income earned by associate from related corporations	98	0	279	0
Transportation revenue earned by associate from related corporations	0	2,325	0	6,637
Purchase made by associate from related corporations	0	61	0	115
Loan granted by associate to related corporation	2,504	0	5,802	0
Principal deposited with interested person	4,651	0	4,651	0

BY ORDER OF THE BOARD

Doreen Nah

Company Secretary

6 November 2014