



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)
Second Quarter/Half Year Financial Statement For The Period Ended 30 June 2012

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			
	2Q 2012	2Q 2011	Variance		1H 2012	1H 2011	Variance	
	US\$'000	US\$'000	+/-	%	US\$'000	US\$'000	+/-	%
Revenue (Note 1)	3,712,546	2,469,392	50.34%		6,616,565	4,453,521	48.57%	
Cost of sales	(3,702,423)	(2,461,221)	50.43%		(6,592,884)	(4,433,602)	48.70%	
Gross Profit	10,123	8,171	23.89%		23,681	19,919	18.89%	
Other operating income (Note 2)	51	143	-64.34%		60	381	-84.25%	
Administrative expenses	(3,314)	(1,671)	98.32%		(6,051)	(3,159)	91.55%	
Other operating expenses	(226)	(118)	91.53%		(329)	(366)	-10.11%	
Finance costs	(1,362)	(660)	106.36%		(2,239)	(1,147)	95.20%	
Operating Profit	5,272	5,865	-10.11%		15,122	15,628	-3.24%	
Share of results of associates (net of tax) (Note 3)	9,602	14,042	-31.62%		20,751	26,499	-21.69%	
Profit before income tax	14,874	19,907	-25.28%		35,873	42,127	-14.85%	
Tax expense (Note 4)	(487)	(674)	-27.74%		(1,064)	(1,434)	-25.80%	
PROFIT FOR THE PERIOD	14,387	19,233	-25.20%		34,809	40,693	-14.46%	
Attributable to:								
Equity holders of the Company	14,387	19,233	-25.20%		34,809	40,693	-14.46%	

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		
	2Q 2012	2Q 2011	Variance	1H 2012	1H 2011	Variance
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
PROFIT FOR THE PERIOD	14,387	19,233	-25.20%	34,809	40,693	-14.46%
Other comprehensive (loss)/income:						
Exchange differences on translation of the financial statements of foreign associates	(2,289)	1,112	NM	(2,267)	2,039	NM
Other comprehensive (loss)/income for the period, net of tax	(2,289)	1,112	NM	(2,267)	2,039	NM
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,098	20,345	-40.54%	32,542	42,732	-23.85%
Total comprehensive income attributable to:						
Owners of the parent	12,098	20,345	-40.54%	32,542	42,732	-23.85%

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		
	2Q 2012	2Q 2011	Var	1H 2012	1H 2011	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Depreciation of property, plant and equipment	(194)	(120)	61.67%	(384)	(239)	60.67%
Amortisation of intangible assets	(25)	(12)	108.33%	(52)	(24)	116.67%
Interest expense	(243)	(201)	20.90%	(468)	(213)	119.72%
Bank interest income	44	36	22.22%	97	95	2.11%
Foreign exchange gain/(loss)	7	107	-93.46%	(85)	286	NM

Note 1: Revenue

	Group			Group		
	2Q 2012	2Q 2011	Var	1H 2012	1H 2011	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Revenue from middle distillates	3,375,772	2,368,737	42.51%	5,843,168	4,316,176	35.38%
Revenue from other oil products	336,774	100,655	234.58%	773,397	137,345	463.11%
	3,712,546	2,469,392	50.34%	6,616,565	4,453,521	48.57%

Note 2: Other operating income

	Group			Group		
	2Q 2012 US\$'000	2Q 2011 US\$'000	Var + / - %	1H 2012 US\$'000	1H 2011 US\$'000	Var + / - %
Bank interest income	44	36	22.22%	97	95	2.11%
Foreign exchange (loss)/gain	7	107	-93.46%	(85)	286	NM
Other income	-	-	NM	48	-	NM
	51	143	-64.34%	60	381	-84.25%

Note 3: Share of results of associates

	Group			Group		
	2Q 2012 US\$'000	2Q 2011 US\$'000	Var + / - %	1H 2012 US\$'000	1H 2011 US\$'000	Var + / - %
Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong")	9,150	13,293	-31.17%	19,625	25,209	-22.15%
China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL")	367	340	7.94%	838	656	27.74%
China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan")	61	409	-85.09%	264	634	-58.36%
Oilhub Korea Yeosu Co., Ltd ("OKYC")	24	-	NM	24	-	NM
	9,602	14,042	-31.62%	20,751	26,499	-21.69%

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. The undistributed retained earnings from associates is subject to withholding tax upon remittance to Singapore in the future.

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 Jun 12 US\$'000	As at 31 Dec 11 US\$'000	As at 30 Jun 12 US\$'000	As at 31 Dec 11 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	8,297	8,568	8,235	8,568
Intangible assets (Note 1)	2,006	243	191	243
Subsidiaries (Note 1)	-	-	24,114	-
Associates (Note 2)	220,511	216,686	111,526	81,236
Deferred tax assets	3,984	3,980	3,980	3,980
	<u>234,798</u>	<u>229,477</u>	<u>148,046</u>	<u>94,027</u>
Current assets				
Inventories	22,078	38,213	19,107	38,213
Trade and other receivables	1,139,899	838,506	1,076,825	838,506
Cash and cash equivalents	95,762	88,065	82,572	88,063
	<u>1,257,739</u>	<u>964,784</u>	<u>1,178,504</u>	<u>964,782</u>
Total assets	<u>1,492,537</u>	<u>1,194,261</u>	<u>1,326,550</u>	<u>1,058,809</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	215,573	215,573	215,573	215,573
Retained earnings	183,135	159,884	107,584	62,025
Other components of equity	23,801	25,878	(5,241)	(5,428)
Total equity	<u>422,509</u>	<u>401,335</u>	<u>317,916</u>	<u>272,170</u>
Non-current liabilities				
Deferred tax liabilities	5,042	6,282	-	-
Current liabilities				
Trade and other payables	1,017,977	756,644	962,071	756,639
Loans and borrowings	46,563	30,000	46,563	30,000
Current tax liabilities	446	-	-	-
	<u>1,064,986</u>	<u>786,644</u>	<u>1,008,634</u>	<u>786,639</u>
Total liabilities	<u>1,070,028</u>	<u>792,926</u>	<u>1,008,634</u>	<u>786,639</u>
Total equity and liabilities	<u>1,492,537</u>	<u>1,194,261</u>	<u>1,326,550</u>	<u>1,058,809</u>

Note 1: On 1 March 2012, the Company completed the acquisition of two 100% owned subsidiaries i.e. China Aviation Oil (Hong Kong) Company Limited (“CAOHK”) and North American Fuel Corporation (“NAFCO”) for a total consideration of US\$15.73 million, giving rise to a goodwill of US\$1.82 million above the book value of net assets acquired from the two subsidiaries. The Company has since injected US\$8.38 million into CAOHK for the increase of its paid-up share capital on 12 March 2012.

Note 2: The Company had also completed the acquisition of 26% equity stake in Oilhub Korea Yeosu Co., Ltd (“OKYC”) in April 2012 for a total consideration of US\$30.29 million.

The associates i.e Pudong and TSN-PEKCL had declared a total dividend of US\$44.90 million in 2Q 2012 of which US\$42.64 million which is to be received at the end of 2012 was recorded as dividend receivable in trade and other receivables.

The share of results from associates for 1H 2012 was US\$20.75 million less the US\$2.27 million for the impact on foreign currency translation reserve.

The Company will be undertaking a Purchase Price Allocation (“PPA”) assessment for the new investments in subsidiaries and associate and the fair value of the net assets acquired from these investments will be revised in accordance to FRS 103.

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 Jun 2012		As at 31 Dec 2011	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
0	46,563	0	30,000

Amount repayable after one year

As at 30 Jun 2012		As at 31 Dec 2011	
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

	2Q 2012	2Q 2011	1H 2012	1H 2011
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Profit for the period	14,387	19,233	34,809	40,693
Adjustments for items not involving outlay of funds:-				
Depreciation of property, plant and equipment	194	120	384	239
Amortisation of intangible assets	25	12	52	24
Share of results of associates (net of tax)	(9,602)	(14,042)	(20,751)	(26,499)
Interest income	(44)	(36)	(97)	(95)
Interest expense	243	201	468	213
Tax expense	487	674	1,064	1,434
Share-based payment	91	-	187	-
Unrealised exchange differences	(70)	(144)	(137)	(135)
	<u>5,711</u>	<u>6,018</u>	<u>15,979</u>	<u>15,874</u>
Changes in working capital				
Inventories	(18,331)	30,742	19,256	75,006
Trade and other receivables	59,634	(135,399)	(204,653)	(337,081)
Trade and other payables	(123,023)	68,120	207,627	284,755
	<u>(76,009)</u>	<u>(30,519)</u>	<u>38,209</u>	<u>38,554</u>
Tax paid	-	(117)	(9)	(117)
Cash flows (used in)/from operating activities	<u>(76,009)</u>	<u>(30,636)</u>	<u>38,200</u>	<u>38,437</u>
Investing activities				
Interest received	45	21	107	89
Purchase of property, plant and equipment	(19)	(45)	(86)	(125)
Acquisition of subsidiaries, net of cash acquired (note 1)	-	-	(8,725)	-
Acquisition of associate (note 2)	(28,785)	-	(28,785)	-
Dividends received from associate	2,260	2,231	2,260	2,231
Cash flows (used in)/from investing activities	<u>(26,499)</u>	<u>2,207</u>	<u>(35,229)</u>	<u>2,195</u>
Financing activities				
Purchase of treasury shares	-	(105)	-	(1,576)
Interest paid	(194)	(147)	(419)	(159)
Proceeds from loans and bank borrowings	56,563	180,511	111,274	196,155
Repayment of loans and bank borrowings	(37,211)	(75,644)	(94,711)	(106,168)
Dividend paid	(11,555)	(11,612)	(11,555)	(11,612)
Cash flows from financing activities	<u>7,603</u>	<u>93,003</u>	<u>4,589</u>	<u>76,640</u>
Net (decrease)/increase in cash and cash equivalents	(94,905)	64,574	7,560	117,272
Cash and cash equivalents at beginning of the period	190,597	110,677	88,065	57,988
Net effect of exchange rate fluctuations on cash held	70	144	137	135
Cash and cash equivalents at end of the period	<u>95,762</u>	<u>175,395</u>	<u>95,762</u>	<u>175,395</u>

Note 1: The net cash paid in respect of the acquisition of CAOHK and NAFCO comprised consideration of US\$15.73 million less bank balances of US\$7.01 million in the subsidiaries.

Note 2: Total consideration for the investment in OKYC is US\$30.29 million of which a deposit of US\$1.50 million was paid in 2011.

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	Total equity US\$'000
THE GROUP							
As at 1 January 2011	215,573	108,435	(3,906)	-	17,303	7,826	345,231
Total comprehensive income for the period	-	40,693	-	-	2,039	-	42,732
Dividend paid in respect of 2010	-	(11,612)	-	-	-	-	(11,612)
Transfer from statutory reserve to retained earnings	-	53	-	-	-	(53)	-
Purchase of treasury shares	-	-	(1,576)	-	-	-	(1,576)
As at 30 June 2011	215,573	137,569	(5,482)	-	19,342	7,773	374,775
As at 1 January 2012	215,573	159,884	(5,482)	54	23,140	8,166	401,335
Total comprehensive income for the period	-	34,809	-	-	(2,267)	-	32,542
Dividend paid in respect of 2011	-	(11,555)	-	-	-	-	(11,555)
Transfer from retained earnings to statutory reserve	-	(3)	-	-	-	3	-
Share-based payment transaction	-	-	-	187	-	-	187
As at 30 June 2012	215,573	183,135	(5,482)	241	20,873	8,169	422,509

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 2011	215,573	28,480	-	(3,906)	240,147
Total comprehensive income for the period	-	35,153	-	-	35,153
Dividend paid in respect of 2010	-	(11,612)	-	-	(11,612)
Purchase of treasury shares	-	-	-	(1,576)	(1,576)
As at 30 June 2011	215,573	52,021	-	(5,482)	262,112
As at 1 January 2012	215,573	62,025	54	(5,482)	272,170
Total comprehensive income for the period	-	57,114	-	-	57,114
Dividend paid in respect of 2011	-	(11,555)	-	-	(11,555)
Share-based payment transaction	-	-	187	-	187
As at 30 June 2012	215,573	107,584	241	(5,482)	317,916

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

As at 30 June 2012, the number of ordinary shares of the Company in issue was 716,820,537 (31 December 2011: 716,820,537) excluding 6,000,000 (31 December 2011: 6,000,000) which were held as treasury shares. The total issued and paid up share capital was US\$215.57 million (31 December 2011: US\$215.57 million).

Employee share option plans

The Company did not grant any share options during the quarter under review.

Treasury shares

During the quarter ended 30 June 2012, 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 26 April 2012.

As at 30 June 2012, a total of 6,000,000 ordinary shares (31 December 2011: 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	2Q 2012	2Q 2011	1H 2012	1H 2011
Issued ordinary shares				
Balance at beginning/end of period	722,820,537	722,820,537	722,820,537	722,820,537
Treasury shares				
Balance at beginning of period	(6,000,000)	(5,907,000)	(6,000,000)	(4,668,000)
Additions during the period	-	(93,000)	-	(1,332,000)
Balance at end of period	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
Total	716,820,537	716,820,537	716,820,537	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 as disclosed 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 2011.

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 Financial Reporting Standards (FRS) and Interpretations to FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning after 1 January 2011 and on 1 January 2012. 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.

	2Q 2012	2Q 2011	1H 2012	1H 2011
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	2.01 US cents	2.69 US cents	4.86 US cents	5.68 US cents
- Weighted average number of shares ('000)	716,821	716,831	716,821	717,057
(b) On a fully diluted basis	1.99 US cents	2.69 US cents	4.82 US cents	5.68 US cents
- Adjusted weighted average number of shares ('000)	722,681	716,831	722,681	717,057

- 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 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Net asset value per ordinary share based on issued share capital at the end of the period reported on (US cents)	58.94	55.99	44.35	37.97
Number of ordinary shares issued ('000)	716,821	716,821	716,821	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 June 2012 and 31 December 2011 (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 China Aviation Oil (Singapore) Corporation Ltd (“CAO” or the “Company”) 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.

We are the largest physical jet fuel trader in the Asia Pacific region and the key supplier of imported jet fuel to the People’s Republic of China’s (“PRC”) civil aviation industry. In addition, we engage in international trading of jet fuel and other oil products and own 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”) and China Aviation Oil Xinyuan Petrochemicals Co. Ltd (“Xinyuan”).

On 1 March 2012, the Company had completed the acquisition of two 100% owned subsidiaries i.e. China Aviation Oil (Hong Kong) Company Limited (“CAOHK”) and North American Fuel Corporation (“NAFCO”) for a total consideration of US\$15.73 million. CAO and its wholly-owned subsidiaries supply jet fuel to airports outside the PRC, including Singapore, Dubai, Bangkok, Hanoi, Los Angeles, Anchorage, Amsterdam, Frankfurt, London and Auckland, as well as Hong Kong and Taiwan.

In April 2012, the Company had also completed the acquisition of 26% equity stake in Oilhub Korea Yeosu Co., Ltd (“OKYC”) for a total consideration of US\$30.29 million. OKYC is currently constructing an oil storage terminal with a capacity of 1.3 million m³ and it is expected to be completed and in full operation by the end of 2012.

Consolidated Statement of Comprehensive Income

2nd Qtr 2012 v 2nd Qtr 2011

The total supply and trading volume for jet fuel and other oil products increased by 1.38 million tonnes (58.47%) to 3.74 million tonnes for the second quarter ended 30 June 2012 (“2Q 2012”) compared to 2.36 million tonnes for the second quarter ended 30 June 2011 (“2Q 2011”). The volume of jet fuel supply and trading including the sales

volume of CAOHK and NAFCO of 0.63 million tonnes increased by 0.64 million tonnes (29.09%) to 2.84 million tonnes for 2Q 2012 compared to 2.20 million tonnes for 2Q 2011. The trading volume of other oil products increased by 0.74 million tonnes (462.50%) to 0.90 million tonnes for 2Q 2012 compared to 0.16 million tonnes for 2Q 2011, mainly due to higher trading activities.

Total revenue increased by US\$1,243.15 million (50.34%) to US\$3,712.54 million for 2Q 2012 from US\$2,469.39 million for 2Q 2011. This was mainly attributable to higher volume of trading in jet fuel and other oil products as well as the consolidation of sales revenue of CAOHK and NAFCO.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$10.12 million for 2Q 2012, an increase of 23.89% compared to US\$8.17 million for 2Q 2011. This was mainly due to higher gains from oil trading activities and the consolidation of contribution from CAOHK.

Other operating income was US\$0.05 million for 2Q 2012 compared to US\$0.14 million for 2Q 2011, mainly due to lower foreign exchange gain of US\$0.01 million in 2Q 2012 compared to foreign exchange gain of US\$0.11 million in 2Q 2011, which were due to revaluation differences resulting from the strengthening of the Singapore dollar against the US dollar. Bank interest income which was derived from time deposits placed with banks was level at US\$0.04 million for the two quarters in comparison.

Total expenses comprising administrative expenses, other operating expenses and finance costs increased by US\$2.45 million (100.00%) to US\$4.90 million for 2Q 2012 compared to US\$2.45 million for 2Q 2011. The increase in expenses was mainly attributable to higher staff costs due to increase in average headcount of 81 in 2Q 2012 which includes the headcounts from CAOHK and NAFCO, compared to average headcount of 55 in 2Q 2011, increase in finance cost relating to issuance of Letter of Credits and interest expense on bank borrowings as a result of increased business activities. Lower expenses in the same period last year was also partly due to the reversal of an over-provision in staff costs.

The share of profits from associates was US\$9.60 million for 2Q 2012 compared to US\$14.04 million for 2Q 2011, a decrease of 31.62%. This was mainly attributable to the share of profits in Pudong of US\$9.15 million for 2Q 2012 compared to US\$13.29 million for 2Q 2011, a decrease of US\$4.14 million due to a decline in gross profit, which was attributable to a decline in sales revenue as oil prices trended lower during the quarter, but the extent of decline in cost of sales was smaller.

Share of profits from TSN-PEKCL for 2Q 2012 was US\$0.37 million compared to US\$0.34 million for 2Q 2011, an increase of 7.94%, attributable to higher revenue from increase in jet fuel transportation volume and pipeline transportation service price. The share of results in Xinyuan decreased by US\$0.35 million (85.09%) to US\$0.06 million for 2Q 2012 compared to US\$0.41 million for 2Q 2011, mainly due to lower sales volume and lower rental income of oil storage tanks. Share of results from OKYC which was equity accounted for commencing on 1 May 2012 was US\$0.02 million for 2Q 2012, mainly due to the recognition of deferred tax assets and the reclassification of labour costs to Construction in Progress.

Income tax expense, which is attributable to the recognition of deferred tax liabilities on the undistributed retained earnings of associates, was US\$0.49 million for 2Q 2012 compared to US\$0.67 million for 2Q 2011, a decrease of 27.74% mainly due to lower profits recorded by the associates. The undistributed retained earnings from associates is subject to withholding tax upon remittance to Singapore in the future.

The Group's net profit for 2Q 2012 was US\$14.39 million compared to US\$19.23 million for 2Q 2011, decrease of US\$4.84 million (25.20%), mainly due to lower contribution from share of results of associates. Earnings per share was 2.01 US cents for 2Q 2012 compared to 2.69 US cents for 2Q 2011.

2nd Qtr 2012 v 1st Qtr 2012

The total supply and trading volume for jet fuel and other oil products increased by 0.92 million tonnes (32.62%) to 3.74 million tonnes for 2Q 2012 compared to 2.82 million tonnes for the first quarter ended 31 March 2012 ("1Q 2012"), mainly due to higher trading volume of jet fuel and other oil products.

Total revenue increased by US\$808.52 million (27.84%) to US\$3,712.54 million for 2Q 2012 from US\$2,904.02 million for 1Q 2012, mainly attributable to higher volume of trading in jet fuel and other oil products.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$10.12 million for 2Q 2012, a decrease of 25.37% compared to US\$13.56 million for 1Q 2012. This was mainly due to higher cost of sales arising from increase in freight costs and storage fees associated with the increase in trading activities.

Other operating income was US\$0.05 million for 2Q 2012 compared to US\$0.01 million for 1Q 2012, mainly due to the foreign exchange loss in 1Q 2012. Other operating income of US\$0.05 million in 2Q 2012 comprised of bank interest income of US\$0.04 million and foreign exchange gain of US\$0.01 million. For 1Q 2012, it was the aggregate of US\$0.10 million from bank interest income and other income offset by the foreign exchange loss of US\$0.09 million resulting from the strengthening of the Singapore dollar against the US dollar.

Total expenses increased by US\$1.18 million (31.72%) to US\$4.90 million for 2Q 2012, compared to US\$3.72 million for 1Q 2012. This was mainly attributable to higher headcount of 81 in 2Q 2012 which includes the headcounts from CAOHK and NAFCO, compared to 66 in 1Q 2012, higher bank charges relating to issuance of Letters of Credit, higher interest expenses arising from drawdown of bank borrowings to support trading activities and higher travelling expenses as a result of increased business activities, etc.

The share of profits from associates was US\$9.60 million for 2Q 2012 compared to US\$11.15 million for 1Q 2012, decrease of 13.90%. This was mainly attributable to a reduction in the share of profits in Pudong from US\$10.48 million for 1Q 2012 to US\$9.15 million for 2Q 2012, a decrease of US\$1.33 million due to a decline in gross profit, which was attributable to a decline in sales revenue as oil prices trended lower during the quarter, but the extent of decline in cost of sales was smaller.

The share of results in TSN-PEKCL was US\$0.37 million for 2Q 2012 compared to US\$0.47 million for 1Q 2012, decrease of US\$0.10 million attributable to higher staff costs and increase in other operating expenses. The share of results in Xinyuan decreased by US\$0.14 million (86.36%) to US\$0.06 million for 2Q 2012 compared to US\$0.20 million for 1Q 2012 owing to lower sales volume and lower rental income of oil storage tanks.

The Group's net profit for 2Q 2012 was US\$14.39 million compared to US\$20.42 million for 1Q 2012, a decrease of US\$6.03 million (29.53%) due to lower gross profits, lower contribution from share of results of associates and higher operating expenses. Earnings per share was 2.01 US cents for 2Q 2012 compared to 2.85 US cents for 1Q 2012.

1H 2012 v 1H 2011

The total supply and trading volume for jet fuel and other oil products increased by 2.01 million tonnes (44.18%) to 6.56 million tonnes for the first half year ended 30 June 2012 ("1H 2012") compared to 4.55 million tonnes for the first half year ended 30 June 2011 ("1H 2011"). The volume of jet fuel supply and trading, including the sales volume generated by CAOHK and NAFCO of 0.89 million tonnes increased by 0.76 million tonnes (17.76%) to 5.04 million tonnes for 1H 2012 compared to 4.28 million tonnes for 1H 2011. The trading volume of other oil products increased by 1.25 million tonnes (462.96%) to 1.52 million tonnes for 1H 2012 compared to 0.27 million tonnes for 1H 2011.

Total revenue increased by US\$2,163.04 million (48.57%) to US\$6,616.56 million for 1H 2012 from US\$4,453.52 million for 1H 2011. This was mainly attributable to higher volume of jet fuel supply and trading coupled with higher jet fuel prices which averaged at US\$128.80 per bbl for 1H 2012 compared to an average price of US\$124.03 per bbl for 1H 2011. The increase in total revenue was also due to revenue generated from petrochemical and trading of other oil products. 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\$23.68 million for 1H 2012, an increase of 18.89% compared to US\$19.92 million for 1H 2011. This was mainly due to higher gains from oil trading activities and the consolidation of contribution from CAOHK.

Other operating income was US\$0.06 million for 1H 2012 compared to US\$0.38 million for 1H 2011. Other operating income for 1H 2012 was the aggregate of US\$0.15 million from bank interest income and other income offset by the foreign exchange loss of US\$0.09 million resulting from the strengthening of the Singapore dollar against the US dollar. Other operating income of US\$0.38 million in 1H 2011 comprised of bank interest income of US\$0.10 million and foreign exchange gain of US\$0.28 million.

Total expenses were US\$8.62 million for 1H 2012, increased by 84.58% compared to US\$4.67 million for 1H 2011. The increase in expenses was mainly attributable to higher staff costs due to increase in average headcount of 74 in 1H 2012 which includes the headcounts from CAOHK and NAFCO, compared to average headcount of 53 in 1H 2011, increase in finance cost relating to issuance of Letters of Credit and interest expense on bank borrowings as a result of increased business activities. Lower expenses in 1H 2011 were also partly due to the reversal of an over-provision in staff costs.

The share of profits from associates was US\$20.75 million for 1H 2012 compared to US\$26.50 million for 1H 2011, decrease of 21.69%. This was mainly attributable to the reduction in share of profits in Pudong to US\$19.63 million for 1H 2012 compared to US\$25.21 million for 1H 2011, a decrease of US\$5.58 million due to a decline in gross profit, which was attributable to a decline in sales revenue as oil prices trended lower during the period, but the extent of decline in cost of sales was smaller.

Share of profits from TSN-PEKCL was US\$0.84 million for 1H 2012 compared to US\$0.66 million for 1H 2011, an increase of 27.74% attributable to higher revenue from increase in jet fuel transportation volume and pipeline transportation service price. The share of results in Xinyuan decreased by US\$0.37 million (58.36%) to US\$0.26 million for 1H 2012 compared to US\$0.63 million for 1H 2011, mainly due to lower sales volume and lower rental income of oil storage tanks. Share of results from OKYC which was equity accounted for commencing on 1 May 2012 was US\$0.02 million for 1H 2012, mainly due to the recognition of deferred tax assets and the reclassification of labour costs to Construction in Progress.

Income tax expense, which is attributable to the recognition of deferred tax liabilities on the undistributed retained earnings of associates, was US\$1.06 million for 1H 2012 compared to US\$1.43 million for 1H 2011, a decrease of 25.80% mainly due to lower profits recorded by the associates. The undistributed retained earnings from associates is subject to withholding tax upon remittance to Singapore in the future.

The Group's net profit for 1H 2012 was US\$34.81 million compared to US\$40.69 million for 1H 2011, a decrease of US\$5.88 million (14.46%) due to lower contribution from share of results of associates. Earnings per share was 4.86 US cents for 1H 2012 compared to 5.68 US cents for 1H 2011.

Statement of Financial Position

The Group's current assets stood at US\$1,257.74 million as at 30 June 2012 compared to US\$964.78 million as at 31 December 2011. The increase of US\$292.96 million in current assets resulted mainly from:

- (i) a decrease of US\$16.13 million in inventories, due to trading activities;
- (ii) an increase of US\$301.39 million in trade and other receivables to US\$1,139.90 million as at 30 June 2012 from US\$838.51 million as at 31 December 2011 due to higher sales revenue in June 2012 compared to December 2011, the trade receivables in CAOHK and NAFCO and the dividend receivable from associate; and
- (iii) an increase of US\$7.70 million in cash and cash equivalents which was mainly attributable to the cash inflow of US\$38.20 million from operating activities, partially offset by US\$35.23 million used in investing activities and net cash inflow of US\$4.59 million in financing activities.

Non-current assets stood at US\$234.80 million as at 30 June 2012, compared to US\$229.48 million as at 31 December 2011. The increase of US\$5.32 million was mainly attributable to the acquisition of associate of US\$30.29 million, share of profits in associates of US\$20.75 million for 1H 2012 and the goodwill of US\$1.82 million arising from the acquisition of CAOHK and NAFCO on 1 March 2012 offset by the dividends of US\$44.90 million declared by associates and the impact of foreign exchange translation of the financial statements of foreign associates.

Current liabilities made up of trade and other payables, bank borrowings and tax payables, increased by US\$278.34 million to US\$1,064.99 million as at 30 June 2012 compared to US\$786.64 million as at 31 December 2011. This was mainly due to the higher cost of procurement in June 2012 owing to increase in volume compared to December 2011 and the trade payables in CAOHK and NAFCO arising from group consolidation.

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

The Group's net assets stood at US\$422.51 million as at 30 June 2012, or 58.94 US cents per share, compared to US\$401.34 million as at 31 December 2011 or 55.99 US cents per share. The increase in the Group's net assets per share was primarily due to an increase in retained earnings as a result of the net profits generated for 1H 2012 less the dividend payout in May 2012.

Consolidated Statement of Cash Flows

2Q 2012 v 2Q 2011

Cash flows generated from operating activities before changes in working capital, was US\$5.71 million in 2Q 2012 compared to US\$6.02 million generated in 2Q 2011 mainly due to lower operating profits in 2Q 2012 as a result of increase in freight costs and storage fees associated with trading activities.

In 2Q 2012, changes in working capital items were as follows: (i) cash used in inventories of US\$18.33 million; (ii) cash generated from trade and other receivables of US\$59.63 million; and (iii) cash used in of US\$123.02 million. The net cash used in operating activities was US\$76.01 million in 2Q 2012 compared to US\$30.52 million in 2Q 2011. This was due to the lower amount of timing difference in receipts from trade receivables and payments to trade suppliers.

Cash flows used in investing activities amounted to US\$26.50 million in 2Q 2012, compared to US\$2.21 million generated from investing activities in 2Q 2011, mainly attributable to the acquisition of 26% equity stake in OKYC in April 2012.

Cash flows generated from financing activities of US\$7.60 million in 2Q 2012, compared to US\$93.00 million in 2Q 2011, mainly due to lower proceeds from bank borrowings.

1H 2012 v 1H 2011

Cash flows generated from operating activities before changes in working capital, was US\$15.98 million in 1H 2012 compared to US\$15.87 million generated in 1H 2011 mainly due to higher operating profits in 1H 2012 as a result of higher trading activities.

In 1H 2012, changes in working capital items were as follows: (i) cash generated from inventories of US\$19.26 million; (ii) cash used in trade and other receivables of US\$204.65 million; and (iii) cash generated from trade and other payables of US\$207.63 million. The net cash generated from operating activities was US\$38.20 million in 1H 2012 compared to net cash used in operating activities of US\$38.44 million in 1H 2011. This was due to the higher amount of timing difference in receipts from trade receivables and payments to trade suppliers.

Cash flows used in investing activities amounted to US\$35.23 million in 1H 2012 compared to cash flows generated from investing activities of US\$2.20 million in 1H 2011. Cash used in investing activities for 1H 2012 comprised US\$28.79 million used in acquisition of associate, US\$8.72 million used in acquisition of subsidiaries and US\$0.09 million used in the purchase of property, plant and equipment partially offset by dividend of US\$2.26 million received from associate and interest receipts of US\$0.11 million from time deposits placed with banks. The cash generated from investing activities in 1H 2011 was due to the dividend of US\$2.23 million received from associate and interest receipts of US\$0.09 million partially offset by the cash of US\$0.12 million used in the purchase of property, plant and equipment.

Cash flows generated from financing activities of US\$4.59 million in 1H 2012 was attributable to aggregate proceeds of US\$111.27 million from bank borrowings partially offset by aggregate of US\$94.71 million used in repayment of bank borrowings, US\$11.56 million used in dividend payout of two Singapore cents per share and US\$0.42 million used in payment of bank interest. In 1H 2011, cash flows generated from financing activities of US\$76.64 million was attributable to aggregate proceeds of US\$196.16 million from bank borrowings partially offset by aggregate of US\$106.17 million used in repayment of bank borrowings and US\$11.61 million used in dividend payout.

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

In the quarterly results announcement for 1Q 2012, the Company stated “Although the net earnings in 1Q 2012 has declined, we remain positive about the Group’s performance going forward and expect CAO to sustain growth this year.”

In 2Q 2012, the core businesses of the Company sustained their development as planned with Revenue growing by 50.34% and Gross Profit increasing by 23.89% compared to the 2Q 2011. Operating Profit declined 10.11% over the corresponding period mainly due to Administrative Expenses and Finance Costs as the Company further integrated CAOHK and NAFCO into the Group’s operations and costs related to business expansion.

Comparing results of 1H 2012 versus 1H 2011, Revenue increased by 48.57% while Gross Profit increased by 18.89%. With the higher Administrative Expenses and Finance Costs, the Operating Profit of the Company declined by 3.24%. Despite the volatility in the energy market, the core business of the Company remained stable as the competence of our trading team improves over time buttressed by management’s effort to control costs and exercise trading and financial prudence.

The decrease of net earnings by 25.20% from 2Q 2011 and 14.46% from 1H 2011 was mainly due to the results of Pudong, our Associate Company in Pudong International Airport which in its operations is required to maintain a certain level of fuel inventory. This decline was attributable to the depreciation of fuel inventory held in Pudong International Airport resulting from the sharp drop of international oil price from US\$135.25 per bbl as at 1 April 2012 to US\$108.28 per bbl as at 30 June 2012, a decrease of 19.94% which was not anticipated when the Company issued its statement referred to earlier. We do not anticipate this negative impact to recur for the rest of this year if oil prices remain stable.

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.

With continued uncertainties surrounding the global economy and prices of oil products expected to remain volatile, the Group expects the external operating environment to remain challenging for the rest of the year. Despite a slowdown in China’s economic growth, the Group expects jet fuel import demand from China to remain stable, which will provide a sound foundation for the Group’s jet fuel supply and trading activities. The Group is also seeing more opportunities to grow its existing business and expand into new markets. As the Group pursues growth opportunities, we will continue to control risks and exercise financial prudence. Barring unforeseen circumstances, we are cautiously optimistic that the Group will remain comparably profitable this year.

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 June 2012.

13 Interested Person Transactions.

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

Aggregate value of interested person transactions entered from 1 January 2012 to 30 June 2012.

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)
	US\$'000	US\$'000
Sales revenue from related corporations	0	1,596,804
Sales revenue from related corporation of a corporate shareholder	0	675,536
Purchases from related corporations	0	60,234
Purchases from related corporation of a corporate shareholder	0	688,739
Loss from trading of derivative financial instrument with related corporation of a corporate shareholder	0	4,578
Supply chain services rendered from related corporation	0	1,116
Transportation revenue earned by associate from related corporations	0	4,694

BY ORDER OF THE BOARD

Doreen Nah
Company Secretary
2 August 2012