



**China Aviation Oil (Singapore) Corporation Ltd**  
Incorporated in the Republic of Singapore  
Registration No.: 199303293Z

## **MEDIA RELEASE**

### **CAO Records Net Profit of US\$17.5m in 2Q 2008**

**SINGAPORE, 5 August 2008** – China Aviation Oil (Singapore) Corporation Ltd ("**CAO**") today announced its unaudited results for the second quarter ended 30 June 2008.

Net profit attributable to shareholders ("**net profit**") in 2Q 2008 was US\$17.5 million. Excluding the divestment gain of US\$134.8 million from the sale of CAO's 5% stake in Compania Logistica de Hidrocarburos, S.A. ("**CLH**") in 2Q 2007, net profit in 2Q 2008 was 222% higher than the corresponding period last year. This was mainly attributable to a gain on derivatives derived from physical jet fuel supply, interest savings as a result of full repayment of deferred debts owed to scheme creditors in May 2007, a significant reduction in operating expenses, a higher profit contribution from CAO's associated company, Shanghai Pudong International Airport Aviation Fuel Supply Company and higher volume of jet fuel procured and supplied.

In 2Q 2008, CAO procured and supplied 1.57 million Metric Tonnes ("**MT**") of jet fuel, which was an increase of about 73% as compared to 2Q 2007 where 0.91 million MT of jet fuel was procured and supplied.

Mr Meng Fanqiu, Chief Executive Officer of CAO, said, "The significant increase in total volume of jet fuel procured and supplied for the quarter under review was due to a rise in demand for jet fuel imports in China, which was a result of an increase in overall demand in the lead up to the Beijing Olympics and a decline in China's domestic production and supply of jet fuel.

"Following the conclusion of the Beijing Olympics, we expect overall jet fuel demand growth in China to go back to normal. We expect China's jet fuel demand to continue to grow in line with projected robust growth in air traffic volume. However, China's jet fuel import demand is also crucially dependent on the level of jet fuel production in China's domestic refineries," said Mr Meng.

On CAO's progress in resuming oil trading activities, Mr Meng said, "CAO has commenced derivative trading of jet fuel on a small scale in the quarter under review and will focus on growing the jet fuel trading business cautiously within our means and resources. However, given the current high oil prices and volatile market conditions, we may not commence trading of other oil products during the second half of 2008 unless market conditions become more favourable."

The Group recorded a gain on derivatives of US\$4.8 million during the quarter under review, which resulted from the unwinding of a hedging contract originally entered into by CAO to hedge an underlying physical cargo. The cancellation of the underlying physical cargo following discussions with the customer due to fluctuations of jet fuel prices and the high inventory level of the customer affected the Group's gross profit margin but gave rise to the opportunity to close the paper swaps at a higher price that resulted in a net gain for the Group.

The Group's share of Shanghai Pudong International Airport Aviation Fuel Supply Company ("SPIA") was US\$10.5 million for 2Q 2008 compared to US\$7.1 million for 2Q 2007, an increase of 48%. Excluding the provision for bad debts of US\$3.1 million in 2Q 2007, profit contribution from SPIA for 2Q 2008 was comparable to the corresponding period last year.

#### More Information:

US\$ million	2Q 2008	2Q 2007	Change
Gross profit	3.7	2.8	+32%
Other operating income *	6.4	6.1	+5%
Total Expenses	2.3	9.4	-76%
Share of results of associate	10.5	7.1	+48%
Profit before tax *	18.3	6.6	+179%
Net Profit *	17.5	5.4	+222%
Earnings per share (US cents) *	2.41	0.75	+221%
Net asset value per share (US cents)	36.90	34.12	+8%

\* Excluding exceptional gain from sale of CLH shares in 2Q 2007

More information on CAO's unaudited results for the period ended 30 June 2008 can be accessed from [www.caosco.com](http://www.caosco.com).

## **About CAO**

Listed on the mainboard of the Singapore Exchange Securities Trading Limited, CAO is the key supplier of imported jet fuel to the Chinese civil aviation industry. CAO also owns investments in strategic oil-related businesses, which include Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd and China Aviation Oil Xinyuan Petrochemicals Co. Ltd.

Besides trading in related oil products, CAO is also seeking investment opportunities in assets that are synergetic to its core businesses.

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