China Aviation Oil (Singapore) Corporation Ltd

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MEDIA RELEASE

CAO records net profit of US$140.2m in 2Q 2007 on the back of divestment gains

SINGAPORE, 14 August 2007 – China Aviation Oil (Singapore) Corporation Ltd ("CAO") today announced its results for the second quarter ended 30 June 2007.

The Group recorded net profit attributable to shareholders (“net profit”) of US$140.2 million in 2Q 2007, compared to US$8.3 million for the same period last year. The substantial increase in net profit was attributed to a divestment gain from the sale of CAO’s 5% stake in Compania Logistica de Hidrocarburos, S.A. (“CLH”), which amounted to US$134.8 million net of tax and other transaction costs. The said divestment was completed on 17 April 2007. Excluding the divestment gain from CLH, the Group’s net profit in 2Q 2007 was US$5.4 million, which was lower than the same period last year mainly due to an impairment loss of US$2.7 million made on Shuidong oil storage tanks held by the Group’s subsidiary, China Aviation Oil Xinyuan Petrochemicals Co. Ltd.

Mr Lim Jit Poh, Chairman of CAO, said, “The sale of the CLH stake has improved the Group’s financial position significantly. As at 30 June 2007, the Group’s accumulated retained earnings stood at US$23.3 million, which was a significant improvement compared to the accumulated losses of US$113.1 million as at 31 December 2006. The Group’s net tangible assets (“NTA”) per share for period under review has more than doubled to US$0.3412, compared to US$ 0.1538 at 31 December 2006.”

“As announced on 17 May 2007, CAO has utilised part of the proceeds from the sale of CLH stake to make accelerated full repayments of the deferred debts amounting to US$77 million under the Creditors’ Scheme. The accelerated repayment of debts has resulted in substantial interest savings for CAO. The Group’s cash position is strong, with a total of US$163.8 million in cash and cash equivalents as at 30 June 2007,” added Mr Lim.

The Group's revenue for 2Q 2007 was US$597.5 million as compared to US$62.8 million for the same period last year. This significant difference was due to the change in jet fuel procurement system from agency basis (i.e. where commission income received was recorded as revenue from January 2005 to June 2006) to principal basis (i.e. the value of underlying jet procurement contracts were recorded as revenue from June 2006). Notwithstanding the change to principal model, the margin structure of fixed margin per barrel remains unchanged.

In 2Q 2007, the Group supplied 914,500 Metric Tonnes ("MT") of jet fuel. This was 19.8% less than that of 2Q 2006 where 1.14 million MT of jet fuel was supplied.

Mr Zhang Zhenqi, who was recently appointed Executive Director and General Manager of CAO, said, "The decline in total volume of jet fuel procured in 1H 2007 was due to a decrease in demand for jet fuel imports in China corresponding to an increase in China's domestic production of jet fuel.

"Jet fuel demand in China is expected to grow with increased air travel. However, the import level is linked to domestic production," said Mr Zhang.

The Group's 33% share of the results of its associated company, Shanghai Pudong International Aviation Fuel Supply Company Ltd ("SPIA") was US$7.1 million for 2Q 2007 compared to US$5.3 million for 2Q 2006, an increase of 34.2%. This was mainly attributable to the short-term rise in China's domestic supply of jet fuel, which has helped to lower SPIA's average cost of sales and thus resulted in an improvement in its gross profit.

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For further clarification, please contact:
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