



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
 Registration No. 199303293Z
 Second Quarter/Half Year Financial Statement For The Period Ended 30 June 2006

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					
	2Q 2006	2Q 2005	Variance	1H 2006	1H 2005	Variance
	S\$'000	S\$'000	+ / - %	S\$'000	S\$'000	+ / - %
Revenues	99,236	6,193	NM	104,649	9,272	NM
Cost of sales	(93,023)	(2,658)	NM	(93,218)	(2,658)	NM
Gross Profit	6,213	3,535	76	11,431	6,614	73
Other operating income						
- Waiver of debts by creditors (Note 1)	-	-	NM	311,630	-	NM
- Bank interest income	1,298	91	NM	1,501	105	NM
- Dividend income	4,992	2,884	73	4,992	2,884	73
- Other income (Note 2)	1,871	(17,277)	111	22,276	(12,700)	275
Distribution expenses	(1)	(4)	-75	(56)	(13)	331
Administrative expenses (Note 3)	(2,252)	(2,381)	-5	(4,147)	(4,086)	1
Other operating expenses (Note 4)	(603)	(6,680)	-91	(2,450)	(10,095)	-76
Finance costs	(3,379)	(6,597)	-49	(3,392)	(7,054)	-52
Share of results of associate (Note 5)	8,390	8,320	1	17,870	17,469	2
Profit/(Loss) before taxation	16,529	(18,109)	191	359,655	(6,876)	NM
Income tax expense	(1,763)	(432)	308	(2,668)	(432)	518
Profit/(Loss) after taxation	14,766	(18,541)	180	356,987	(7,308)	NM
Attributable to:						
Equity holders of the Company	14,786	(18,527)	180	357,034	(7,283)	NM
Minority interests	(20)	(14)	43	(47)	(25)	88
Profit/(Loss) for the period	14,766	(18,541)	180	356,987	(7,308)	NM

Profit/(Loss) before taxation is derived at after crediting / (charging):

	Group			
	2Q 2006 S\$'000	2Q 2005 S\$'000	1H 2006 S\$'000	1H 2005 S\$'000
Depreciation of property, plant and equipment (Note 3)	(250)	(230)	(511)	(461)
Foreign exchange gain / (loss) (Note 2)	1,739	(17,297)	13,263	(13,260)
Fair value adjustment on amount due to scheme creditors (Note 2)	-	-	8,133	-
Interest expense	(3,355)	(6,579)	(3,355)	(6,579)

Note 1: This relates to the waiver of debts pursuant to the Scheme of Arrangement with the Company's creditors under Section 210 of the Companies Act (Cap. 50), which was approved by creditors on 8 June 2005 and sanctioned by the High Court on 13 June 2005. The Scheme of Arrangement became effective on 28 March 2006.

Note 2: Other income includes foreign exchange gain/(loss), fair value adjustment on amount due to scheme creditors and an amount of S\$725,000 relating to the reversal of over-accrual of liabilities. The latter was included in waiver of debts by creditors in 1Q2006 and was reclassified to other income in 2Q2006.

Note 3: Administrative expenses comprise staff remuneration, depreciation, travelling expenses, communication expenses, etc.

Note 4: Other operating expenses are mainly attributable to professional fees.

Note 5: Share of results of associate relates to the Group's 33% share of the results of Shanghai Pudong International Aviation Fuel Supply Company Ltd under the equity method of accounting.

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

	Group		Company	
	As at 30 Jun 06 S\$'000	As at 31 Dec 05 S\$'000	As at 30 Jun 06 S\$'000	As at 31 Dec 05 S\$'000
Non-current assets				
Property, plant and equipment	13,770	14,395	9,329	9,635
Subsidiaries	-	-	8,402	8,402
Associate	123,136	108,568	60,827	60,827
Other investments	116,566	113,588	116,565	113,588
	<u>253,472</u>	<u>236,551</u>	<u>195,123</u>	<u>192,452</u>
Current assets				
Inventories	1,398	-	-	-
Trade and other receivables	98,867	68,187	90,337	64,596
Cash and cash equivalents (Note 1)	133,125	47,692	113,460	30,275
	<u>233,390</u>	<u>115,879</u>	<u>203,797</u>	<u>94,871</u>
Total assets	<u>486,862</u>	<u>352,430</u>	<u>398,920</u>	<u>287,323</u>
Equity attributable to Equity holders of the Company				
Share capital	371,119	48,384	371,119	48,384
Share premium	-	50,153	-	50,153
Currency translation reserve	(3,037)	603	-	-
Accumulated losses	(209,353)	(749,547)	(294,062)	(808,899)
	<u>158,729</u>	<u>(650,407)</u>	<u>77,057</u>	<u>(710,362)</u>
Minority interests	1,713	1,844	-	-
Total equity/(deficit in equity)	<u>160,442</u>	<u>(648,563)</u>	<u>77,057</u>	<u>(710,362)</u>
Non-current liability				
Scheme creditors (Note 2)	107,238	-	107,238	-
Current liabilities				
Trade and other payables	99,669	217,299	98,536	217,183
Scheme creditors (Note 2)	114,220	778,003	114,220	778,003
Current tax payable	5,293	5,691	1,869	2,499
	<u>219,182</u>	<u>1,000,993</u>	<u>214,625</u>	<u>997,685</u>
Total liabilities	<u>326,420</u>	<u>1,000,993</u>	<u>321,863</u>	<u>997,685</u>
Total equity and liabilities	<u>486,862</u>	<u>352,430</u>	<u>398,920</u>	<u>287,323</u>

Note 1

Cash and cash equivalents as at 30 June 2006 include an amount of approximately S\$18 million placed in an Escrow Account. This Account was set up to receive proceeds from the issuance of new shares by the Company, which will be used to make payments to creditors pursuant to the Scheme of Arrangement with creditors.

Note 2

Following the completion of the restructuring exercise, bank borrowings, including bank overdraft, and trade and other payables for which their repayment have been restructured, are grouped as scheme creditors. Comparatives have been restated to enhance comparability.

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 06		As at 31 Dec 05	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
0	114,220	0	376,896

Amount repayable after one year

As at 30 Jun 06		As at 31 Dec 05	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
0	107,238	0	0

Details of any collateral:

Pursuant to the Scheme of Arrangement, the outstanding debts of approximately S\$221.5 million owing to Creditors (excluding CAO's immediate and ultimate holding company, China Aviation Oil Holding Company "CAOHC") are restructured and will be repayable in US\$ to creditors over a 5 year period starting from 28 March 2006, with interest at LIBOR. The outstanding debts and interest are guaranteed by CAOHC.

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			
	2Q 2006	2Q 2005	1H 2006	1H 2005
	S\$'000		S\$'000	
Operating activities				
Profit / (Loss) before taxation	16,529	(18,109)	359,655	(6,876)
Adjustments for:				
Interest income	(1,298)	(91)	(1,501)	(105)
Interest expense	3,355	6,579	3,355	6,579
Depreciation of property, plant and equipment	250	230	511	461
Impairment loss on property, plant and equipment reversed	-	-	-	(150)
Exchange gain arising from amount due to scheme creditors	(4,370)	-	(22,566)	-
Exchange gain arising from amount due to immediate and ultimate holding company	-	-	(4,835)	-
Share of results of associate	(8,390)	(8,320)	(17,870)	(17,469)
Dividend income	(4,992)	(2,884)	(4,992)	(2,884)
Fair value adjustment on amount due to scheme creditors	-	-	(8,133)	-
Waiver of debts by creditors	-	-	(311,630)	-
Operating profit/(loss) before working capital changes	1,084	(22,595)	(8,006)	(20,444)
Changes in working capital:				
Inventories	(130)	-	(1,398)	-
Trade and other receivables	(87,691)	(1,444)	(92,327)	12,094
Trade and other payables	83,688	14,464	82,776	11,851
Cash (used in)/generated from operations	(3,049)	(9,575)	(18,955)	3,501
Income taxes paid	(2,317)	(535)	(2,317)	(611)
Cash flows from operating activities	(5,366)	(10,110)	(21,272)	2,890
Investing activities				
Interest received	1,083	91	1,286	105
Dividends received	4,243	2,452	65,891	2,452
Purchase of property, plant and equipment	(98)	-	(98)	(1)
Decrease in loan receivable	-	-	-	1,985
Cash flows from investing activities	5,228	2,543	67,079	4,541
Financing activities				
Interest paid	(2,652)	(6,579)	(2,652)	(6,579)
Issue of shares	-	-	219,967	-
Proceeds from issue of shares placed in Escrow account for payment to scheme creditors	-	-	(18,149)	-
Decrease in Escrow account balance	41	-	41	-
Increase in interest-bearing loans and borrowings	-	9,954	-	8,277
Repayment to scheme creditors	(41)	-	(177,695)	-
Cash flows from financing activities	(2,652)	3,375	21,512	1,698
Net (decrease)/increase in cash and cash equivalents	(2,790)	(4,192)	67,319	9,129
Cash and cash equivalents at beginning of the period (Note 1)	117,687	17,357	47,692	4,059
Effect of exchange rate changes on balances held in foreign currencies	258	107	144	84
Cash and cash equivalents at end of the period (Note 2)	115,155	13,272	115,155	13,272

Note 1 :

Bank overdraft amounting to S\$24,352,805 as at 1 January 2006 has not been offset against cash and cash equivalents as the bank overdraft became part of the amount due to scheme creditors pursuant to the Scheme of Arrangement.

Note 2 :

	1H 2006	1H 2005
	S\$'000	S\$'000
Cash and cash equivalents in the balance sheet	133,125	37,537
Less balance in Escrow account	(17,970)	-
Less bank overdraft	-	(24,265)
Cash and cash equivalents in the statement of cash flows	<u>115,155</u>	<u>13,272</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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in equity of the Group	Share capital S\$'000	Share premium S\$'000	Currency translation reserve S\$'000	Accumulated losses S\$'000	Total attributable to equity holders of the Company S\$'000	Minority interests S\$'000	Total equity S\$'000
At 1 January 2005	48,384	50,153	(1,506)	(762,352)	(665,321)	1,892	(663,429)
Translation differences relating to							
Financial statements of foreign subsidiary and associate	-	-	357	-	357	34	391
Net gain recognized directly in equity	-	-	357	-	357	34	391
Loss for the period	-	-	-	(7,283)	(7,283)	(25)	(7,308)
Total recognised income and expense for the period	-	-	357	(7,283)	(6,926)	9	(6,917)
At 30 June 2005	48,384	50,153	(1,149)	(769,635)	(672,247)	1,901	(670,346)
At 1 January 2006	48,384	50,153	603	(749,547)	(650,407)	1,844	(648,563)
Translation differences relating to							
Financial statements of foreign subsidiary and associate	-	-	(3,640)	-	(3,640)	(84)	(3,724)
Net loss recognised directly in equity	-	-	(3,640)	-	(3,640)	(84)	(3,724)
Profit/(Loss) for the period	-	-	-	357,034	357,034	(47)	356,987
Total recognised income and expense for the period	-	-	(3,640)	357,034	353,394	(131)	353,263
Transfer from share premium to share capital (*)	50,153	(50,153)	-	-	-	-	-
Issue of ordinary shares	272,582	-	-	-	272,582	-	272,582
Waiver of debts by immediate and ultimate holding company							
Pursuant to the restructuring exercise	-	-	-	183,160	183,160	-	183,160
At 30 June 2006	371,119	-	(3,037)	(209,353)	158,729	1,713	160,442

Statement of changes in equity of the Company	Share capital S\$'000	Share premium S\$'000	Accumulated losses S\$'000	Total Attributable to equity holders of the Company S\$'000
At 1 January 2005	48,384	50,153	(803,400)	(704,863)
Loss for the period	-	-	(30,790)	(30,790)
Total recognized expense for the period	-	-	(30,790)	(30,790)
At 30 June 2005	<u>48,384</u>	<u>50,153</u>	<u>(834,190)</u>	<u>(735,653)</u>
At 1 January 2006	48,384	50,153	(808,899)	(710,362)
Profit for the period	-	-	331,677	331,677
Total recognized income for the period	-	-	331,677	331,677
Transfer from share premium to share capital (*)	50,153	(50,153)	-	-
Issue of ordinary shares	272,582	-	-	272,582
Waiver of debts by immediate and ultimate holding company pursuant to the restructuring exercise	-	-	183,160	183,160
At 30 June 2006	<u>371,119</u>	<u>-</u>	<u>(294,062)</u>	<u>77,057</u>

(*) Under the Companies (Amendment) Act 2005, effective 30 January 2006, the concepts of par value and authorized share capital are abolished. Hence the amount in the share premium account as at 30 January 2006 is now part of the Company's share capital.

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.

- a. Pursuant to the Shareholders' Circular dated 8 February 2006 that was approved at the EGM on 3 March 2006, the number of issued ordinary shares of the Company was reduced from 967,679,992 shares to 193,535,998 shares (ie consolidation of every 5 ordinary shares into 1 ordinary share) on 23 March 2006. In addition, 529,284,539 new ordinary shares were issued by the Company on 28 March 2006 pursuant to the Investment Agreement, Subscription Agreement and the Creditors' Share Invitation. The Company's share capital structures pre and post-restructuring, are as follows:

PRE AND POST-RESTRUCTURING SHARE CAPITAL STRUCTURE

	Pre-Restructuring		Post-Restructuring	
	No. of Shares	% Shareholding	No. of Shares	% Shareholding
CAOHC	580,608,000	60.00	367,777,427	50.88
BP	-	-	144,564,119	20.00
Aranda	-	-	33,611,158	4.65
Creditors	-	-	72,282,000	10.00
Minority Shareholders	387,071,992	40.00	104,585,833	14.47
Total	967,679,992	100.00	722,820,537	100.00

- b. Following the amendments to the Companies Act (“The Companies (Amendment) Act 2005”) on 30 January 2006, any amounts standing to the credit of the Company’s share premium account shall become part of the Company’s share capital. Accordingly, the share premium account has been combined into the share capital account.

- 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 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 2005.

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.

Other than the adoption of various new/revised Financial Reporting Standards issued by the Council on Corporate Disclosure and Governance, which took effect from 1 January 2006, there has been no change in the accounting policies and methods of computation adopted by the Group. The adoption of the new/revised Financial Reporting Standards did not have a significant impact on the financial statements of the Group.

- 6 Earning 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.

	Group			
	2Q 2006	2Q 2005	1H 2006	1H 2005
Earnings per ordinary share for the period after deducting any provision for preference dividends:				
(a) Based on weighted average number of ordinary share on issue; and	2.05 cents	(9.57) cents	75.75 cents	(3.76) cents
(b) On a fully diluted basis	2.05 cents	(9.57) cents	75.75 cents	(3.76) cents
Weighted average number of shares ('000)	722,821	193,536	471,337	193,536
(To disclose the basis used in arriving at the Weighted average number of shares ('000) for the purposes of (a) above and to provide details of any adjustments made for the purposes of (b) above)				

There were no dilutive potential ordinary shares for the current and previous periods.

- 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	
	Jun 06	Dec 05	Jun 06	Dec 05
Net asset value per ordinary share based on issued share capital at the end of the period reported on (cents)	21.96	(67.21)	10.66	(73.41)
Number of ordinary shares issued ('000)	722,821	967,680	722,821	967,680

Net asset value per ordinary share is determined based on net asset value attributable to equity holders of the Company and the number of shares in issue of the Company as at 30 June 2006 and 31 December 2005.

- 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

The principal activities of the Group are the procurement of jet fuel and investment holding. The primary source of gross profit in 2Q 2006 was derived from commissions earned by CAO's wholly-owned subsidiary, CAOT Pte Ltd ("CAOT"), which carried on the business of jet fuel procurement on an agency basis. CAO commenced trading on a principal basis with three shipments of approximately 78,000 Metric Tonnes ("MT") in June 2006.

A total of approximately 1.14 million MT of jet oil fuel was purchased in 2Q 2006 and 2.06 million MT in 1H 2006 compared to approximately 624,000 MT in 2Q 2005 and 1.22 million MT in 1H 2005. These represent increases of 83% and 69% respectively.

During 1H 2006, CAO's 80% subsidiary, China Aviation Oil Xinyuan Petrochemical Co. Ltd ("Xinyuan") contributed S\$6.0 million in revenue but incurred S\$0.2 million losses. The Group's share of the results in its associate, Shanghai Pudong International Aviation Fuel Supply Company Ltd ("Pudong"), amounted to S\$8.4 million in 2Q 2006 and S\$17.9 million in 1H2006 compared with S\$8.3 million in 2Q 2005 and S\$17.5 million in 1H 2005. Dividend income from CAO's 5% investment in Compania Logistica de Hidrocarburos, SA was S\$5.0 million, an increase of 73% over the same period in 2005.

During 2Q 2006, an amount of S\$725,000 relating to reversal of over-accrual of liabilities which was included in waiver of debts by creditors in 1Q 2006 was reclassified from waiver of debts to other income. 1H 2006 waiver of debts of S\$311.6 million arose from the waiver of debts by the creditors of CAO following the completion of the restructuring exercise.

Other operating income also includes foreign exchange gains of S\$1.7 million and S\$13.3 million in 2Q 2006 and 1H 2006 respectively, compared to foreign exchange losses of S\$17.3 million and S\$13.3 million in 2Q 2005 and 1H 2005 respectively.

Other operating expenses decreased significantly to approximately S\$2.5 million in 1H 2006 compared to S\$10.1 million for the same period in 2005. The reduction was due to lower professional fees as well as non-recurring payments to the special investigative accountant in 2005.

The Group incurred interest on deferred debts under the Creditors Scheme of S\$3.4 million in 2Q 2006. It incurred S\$6.6 million default interest on its borrowings in 2Q 2005.

Financial Position and Cash Flows Review

In March 2006, CAO raised an aggregate amount of US\$130 million pursuant to the Investment Agreement and Subscription Agreement with CAOHC (US\$75.77 million), BP Investments Asia Limited (US\$44 million) and Aranda Investments Pte Ltd (US\$10.23 million). Under the Scheme of Arrangement with its creditors, CAO paid its creditors a total of S\$178 million in cash as of 31 March 2006. The amount of debts (after waiver) which is being restructured into debts that are repayable over a 5 year period amounted to S\$221.5 million as at 30 June 2006.

The Group's net assets (excluding Minority Interests' share) improved by S\$13.3 million from S\$145.4 million at 31 Mar 2006 to S\$158.7 million as at 30 Jun 2006 as compared with net liabilities of S\$650.4 million as at 31 Dec 2005 mainly from the results of the restructuring and 2 quarters of operational profits.

The main cash flow items in 2Q 2006 were the increase of S\$4.0 million in trade receivables less trade creditors, payment of income taxes and interest of S\$2.3 million and S\$2.7 million respectively as well as net dividend received of S\$4.2 million from the Group's 5% investment in Compania Logistica de Hidrocarburos, SA. As at 30 June 2006, cash and cash equivalents of the Group was S\$115.2 million (excluding S\$18 million in Escrow account, which is held on behalf of CAO by the financial adviser pursuant to the Scheme of Arrangement).

Minority Interests in the Group's balance sheet represents the 20% stake held by joint venture parties in the Company's subsidiary, Xinyuan, an oil tanks storage facility located in Guangzhou, China.

- 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 Company has re-established its jet fuel procurement business on a principal basis with three spot tenders in June 2006, and will continue to do so from July 2006 onwards.

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 dividend has been proposed or declared for this reporting period ended 30 June 2006.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segment revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited 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 as follows:

Not Applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's most latest full year and its previous full year as follows: (a) ordinary, (b) preference and (c) total.

	Latest Full Year S\$'000	Previous Full Year S\$'000
Ordinary	0	0
Preference	0	0
Total:	0	0

17. Interested Person Transactions

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

Aggregate value of interested person transactions entered from 1 January 2006 to 30 June 2006.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders mandate pursuant to Rule 920) S\$'000	Aggregate value of interested person transactions conducted under shareholders mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
Commission income earned from related corporations	0	6,730

BY ORDER OF THE BOARD

Adrian Chang
Company Secretary
14 August 2006