



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)
Second Quarter/Half Year Financial Statement For The Period Ended 30 June 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		
	2Q 2014	2Q 2013	Variance	1H 2014	1H 2013	Variance
	US\$'000	US\$'000	+/- %	US\$'000	US\$'000	+/- %
Revenue (Note 1)	3,933,856	3,769,754	4.35%	7,960,717	7,551,030	5.43%
Cost of sales	(3,922,684)	(3,755,403)	4.45%	(7,935,058)	(7,517,217)	5.56%
Gross Profit (2)	11,172	14,351	-22.15%	25,659	33,813	-24.11%
Other operating income (Note 3)	(76)	61	NM	197	186	5.91%
Administrative expenses	(4,489)	(3,760)	19.39%	(7,499)	(7,426)	0.98%
Other operating expenses	(1,294)	(651)	98.77%	(1,490)	(1,201)	24.06%
Finance costs	(549)	(1,190)	-53.87%	(1,389)	(2,557)	-45.68%
Operating Profit	4,764	8,811	-45.93%	15,478	22,815	-32.16%
Share of results of associates (net of tax) (Note 4)	13,792	4,994	176.17%	23,399	13,139	78.09%
Profit before income tax	18,556	13,805	34.42%	38,877	35,954	8.13%
Tax expense (Note 5)	(813)	(408)	99.26%	(1,466)	(1,058)	38.56%
PROFIT FOR THE PERIOD	17,743	13,397	32.44%	37,411	34,896	7.21%
Attributable to:						
Equity holders of the Company	17,743	13,397	32.44%	37,411	34,896	7.21%

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 2014	2Q 2013	Variance	1H 2014	1H 2013	Variance
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
PROFIT FOR THE PERIOD	17,743	13,397	32.44%	37,411	34,896	7.21%
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	1,789	1,015	76.26%	(2,913)	(366)	695.90%
Other comprehensive income for the period, net of tax	1,789	1,015	76.26%	(2,913)	(366)	695.90%
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19,532	14,412	35.53%	34,498	34,530	-0.09%
Total comprehensive income attributable to:						
Owners of the parent	19,532	14,412	35.53%	34,498	34,530	-0.09%

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 2014	2Q 2013	Var	1H 2014	1H 2013	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Depreciation of property, plant and equipment	(201)	(199)	1.01%	(403)	(397)	1.51%
Amortisation of intangible assets	(172)	(107)	60.75%	343	(767)	NM
Interest expense	(200)	(464)	-56.90%	(446)	(835)	-46.59%
Bank interest income	89	42	111.90%	131	93	40.86%
Foreign exchange (loss)/gain	(165)	19	NM	66	93	-29.03%

Note 1: Revenue

	Group			Group		
	2Q 2014	2Q 2013	Var	1H 2014	1H 2013	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Revenue from middle distillates	2,976,173	3,052,744	-2.51%	5,718,209	6,237,814	-8.33%
Revenue from other oil products	957,683	717,010	33.57%	2,242,508	1,313,216	70.76%
	3,933,856	3,769,754	4.35%	7,960,717	7,551,030	5.43%

Note 2: Gross Profit: lower gross profit despite higher revenue mainly due to higher cost of sales including storage costs and lower trading gains.

Note 3: Other operating income

	Group			Group		
	2Q 2014 US\$'000	2Q 2013 US\$'000	Var + / - %	1H 2014 US\$'000	1H 2013 US\$'000	Var + / - %
Bank interest income	89	42	111.90%	131	93	40.86%
Foreign exchange (loss)/gain	(165)	19	NM	66	93	-29.03%
	(76)	61	NM	197	186	5.91%

Note 4: Share of results of associates

	Group			Group		
	2Q 2014 US\$'000	2Q 2013 US\$'000	Var + / - %	1H 2014 US\$'000	1H 2013 US\$'000	Var + / - %
Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong")	11,518	5,282	118.06%	21,666	15,743	37.62%
China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL")	498	471	5.73%	984	947	3.91%
China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan")	44	103	-57.28%	111	237	-53.16%
Oilhub Korea Yeosu Co., Ltd ("OKYC")	1,732	(862)	NM	638	(3,788)	NM
	13,792	4,994	176.17%	23,399	13,139	78.09%

Note 5: 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 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 Jun 14 US\$'000	As at 31 Dec 13 US\$'000	As at 30 Jun 14 US\$'000	As at 31 Dec 13 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	7,011	7,377	6,947	7,323
Intangible assets	2,473	2,815	1,292	1,634
Subsidiaries	-	-	28,114	28,095
Associates and jointly-controlled entity (Note 1)	252,950	267,761	81,236	81,236
Trade and other receivables	-	-	35,480	35,573
Deferred tax assets	7,087	7,087	7,083	7,083
	<u>269,521</u>	<u>285,040</u>	<u>160,152</u>	<u>160,944</u>
Current assets				
Inventories	124,508	113,125	119,981	110,197
Trade and other receivables	1,304,138	1,120,426	1,215,102	1,020,035
Cash and cash equivalents	67,787	56,299	47,020	52,617
	<u>1,496,433</u>	<u>1,289,850</u>	<u>1,382,103</u>	<u>1,182,849</u>
Total assets	<u>1,765,954</u>	<u>1,574,890</u>	<u>1,542,255</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	295,956	272,241	202,131	170,016
Other components of equity	32,837	35,748	(5,482)	(5,482)
Total equity	<u>544,366</u>	<u>523,562</u>	<u>412,222</u>	<u>380,107</u>
Non-current liabilities				
Deferred tax liabilities	5,486	6,228	-	-
Current liabilities				
Trade and other payables	1,192,178	1,016,120	1,130,033	963,006
Loans and borrowings	23,258	28,609	-	680
Current tax liabilities	666	371	-	-
	<u>1,216,102</u>	<u>1,045,100</u>	<u>1,130,033</u>	<u>963,686</u>
Total liabilities	<u>1,221,588</u>	<u>1,051,328</u>	<u>1,130,033</u>	<u>963,686</u>
Total equity and liabilities	<u>1,765,954</u>	<u>1,574,890</u>	<u>1,542,255</u>	<u>1,343,793</u>

Note 1: Associates, Pudong and TSN-PEKCL had declared a total dividend of US\$35.15 million in 2Q 2014 of which US\$33.39 million, net of withholding tax, is expected to be received at the end of 2014. The amount of dividend receivable was recorded as a reduction in Associates with the corresponding entry in trade and other receivables. The share of results from associates for 1H 2014 was US\$23.40 million less the US\$2.91 million for the impact on foreign currency translation reserve.

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 2014		As at 31 Dec 2013	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
0	23,258	17,209	11,400

Amount repayable after one year

As at 30 Jun 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

	2Q 2014	2Q 2013	1H 2014	1H 2013
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Profit for the period	17,743	13,397	37,411	34,896
Adjustments for items not involving outlay of funds:-				
Depreciation of property, plant and equipment	201	199	403	397
Amortisation of intangible assets	172	107	343	767
Share of results of associates (net of tax)	(13,792)	(4,994)	(23,399)	(13,139)
Interest income	(89)	(42)	(131)	(93)
Interest expense	200	464	446	835
Tax expense	813	407	1,466	1,058
Share-based payment	-	-	-	(271)
Unrealised exchange differences	(40)	(82)	(123)	(119)
	<u>5,208</u>	<u>9,456</u>	<u>16,416</u>	<u>24,331</u>
Changes in working capital				
Inventories	(33,230)	(13,577)	(11,383)	(5,819)
Trade and other receivables	(43,088)	287,040	(150,331)	256,836
Trade and other payables	66,656	(220,003)	176,272	(254,393)
	<u>(4,454)</u>	<u>62,916</u>	<u>30,974</u>	<u>20,955</u>
Tax paid	(2)	-	(2)	-
Cash flows (used in)/from operating activities	<u>(4,456)</u>	<u>62,916</u>	<u>30,972</u>	<u>20,955</u>
Investing activities				
Interest received	89	37	137	88
Purchase of property, plant and equipment	(18)	(12)	(37)	(74)
Purchase of intangible assets	-	(996)	(216)	(1,005)
Cash flows from/(used in) investing activities	<u>71</u>	<u>(971)</u>	<u>(116)</u>	<u>(991)</u>
Financing activities				
Interest paid	(200)	(464)	(446)	(835)
Proceeds from loans and bank borrowings	80,152	110,458	141,309	134,842
Repayment of loans and bank borrowings	(86,660)	(55,148)	(146,660)	(73,728)
Dividend paid	(13,694)	(11,569)	(13,694)	(11,569)
Cash flows (used in)/from financing activities	<u>(20,402)</u>	<u>43,277</u>	<u>(19,491)</u>	<u>48,710</u>
Net (decrease)/increase in cash and cash equivalents	<u>(24,787)</u>	<u>105,222</u>	<u>11,365</u>	<u>68,674</u>
Cash and cash equivalents at beginning of the period	92,534	44,633	56,299	81,144
Net effect of exchange rate fluctuations on cash held	40	82	123	119
Cash and cash equivalents at end of the period	<u><u>67,787</u></u>	<u><u>149,937</u></u>	<u><u>67,787</u></u>	<u><u>149,937</u></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	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	-	34,896	-	-	(366)	-	34,530
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 June 2013	215,573	237,313	(5,482)	-	26,522	8,697	482,623
As at 1 January 2014	215,573	272,241	(5,482)	-	32,141	9,089	523,562
Total comprehensive income for the period	-	37,411	-	-	(2,913)	-	34,498
Dividend paid in respect of 2013	-	(13,694)	-	-	-	-	(13,694)
Transfer from retained earnings to other reserve	-	(2)	-	-	-	2	-
As at 30 June 2014	215,573	295,956	(5,482)	-	29,228	9,091	544,366

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	-	58,743	-	-	58,743
Dividend paid in respect of 2012	-	(11,569)	-	-	(11,569)
Share-based payment transaction	-	-	(271)	-	(271)
As at 30 June 2013	215,573	164,427	-	(5,482)	374,518
As at 1 January 2014	215,573	170,016	-	(5,482)	380,107
Total comprehensive income for the period	-	45,809	-	-	45,809
Dividend paid in respect of 2013	-	(13,694)	-	-	(13,694)
As at 30 June 2014	215,573	202,131	-	(5,482)	412,222

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 June 2014.

Employee share option plans

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 June 2014, there were 1,774,867 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 29,333 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 1,774,867 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 June 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 June 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 June 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	2Q 2014	2Q 2013	1H 2014	1H 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.

	2Q 2014	2Q 2013	1H 2014	1H 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	2.06 US cents	1.56 US cents	4.35 US cents	4.06 US cents
- Weighted average number of shares ('000)*	860,184	860,184	860,184	860,184
(b) On a fully diluted basis	2.06 US cents	1.55 US cents	4.35 US cents	4.04 US cents
- Adjusted weighted average number of shares ('000)*	860,184	863,746	860,184	864,357

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 June 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 June 2014 and 30 June 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 Jun 2014	31 Dec 2013	30 Jun 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)	63.28	73.04	47.92	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 June 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 and the sole importer of jet fuel into the People's Republic of China's ("PRC"). The Company has three wholly-owned subsidiaries located in Hong Kong, USA 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, we engaged in international trading of jet fuel and other oil products and owned 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 will be completed in 2015.

Consolidated Statement of Comprehensive Income

2nd Qtr 2014 v 2nd Qtr 2013

The total supply and trading volume for jet fuel and other oil products increased by 0.39 million tonnes (9.50%) to 4.50 million tonnes for the second quarter ended 30 June 2014 ("2Q 2014") compared to 4.11 million tonnes for the second quarter ended 30 June 2013 ("2Q 2013"). The volume of jet fuel supply and trading decreased by 0.02 million tonnes (0.74%) to 2.68 million tonnes for 2Q 2014 compared to 2.70 million tonnes for 2Q 2013. The trading volume of other oil products increased by 0.41 million tonnes (29.08%) to 1.82 million tonnes for 2Q 2014 compared to 1.41 million tonnes for 2Q 2013.

Total revenue increased by US\$164.11 million (4.35%) to US\$3,933.86 million for 2Q 2014 from US\$3,769.75 million for 2Q 2013, attributable mainly to higher trading volume of other oil products.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$11.17 million for 2Q 2014, decrease of 22.15% compared to US\$14.35 million for 2Q 2013. This was mainly attributable to the decrease in trading gains from jet fuel as a result of lower volumes and higher storage costs for fuel oil.

Other operating income was negative US\$0.08 million for 2Q 2014 compared to a credit of US\$0.06 million for 2Q 2013, mainly due to foreign exchange loss of US\$0.17 million in 2Q 2014 compared to foreign exchange gain of US\$0.02 million in 2Q 2013, which was due to revaluation differences on the foreign currency balances against the US Dollar. Bank interest income which was derived from time deposits placed with banks was US\$0.09 million for 2Q 2014 compared to US\$0.04 million for 2Q 2013.

Total expenses increased by US\$0.73 million (13.04%) to US\$6.33 million for 2Q 2014 compared to US\$5.60 million for 2Q 2013. The increase in expenses was mainly attributable to higher staff costs due to the increase in average headcount of 93 in 2Q 2014 compared to average headcount of 85 in 2Q 2013 and the increase in professional fee incurred for business development partially offset by the reduction in finance costs relating to bank charges and interest expense. Finance costs decreased 53.87% to US\$0.55 million in 2Q 2014 compared to US\$1.19 million in 2Q 2013, mainly due to lower bank borrowings.

The share of profits from associates was US\$13.79 million for 2Q 2014 compared to US\$4.99 million for 2Q 2013, an increase of 176.17% mainly attributable to higher share of profits in Pudong. The share of profits in Pudong was US\$11.52 million for 2Q 2014 compared to US\$5.28 million for 2Q 2013, an increase of US\$6.24 million (118.06%) mainly due to the increase in refuelling volume and jet fuel price that led to higher revenue coupled with lower cost of sales attributable to lower procurement costs.

Share of results from OKYC was a profit of US\$1.73 million for 2Q 2014 compared to a loss of US\$0.86 million for 2Q 2013, mainly due to the recognition of mark-to-market (“MTM”) gain and loss 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 effectiveness 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 2Q 2014 was US\$0.50 million compared to US\$0.47 million for 2Q 2013, an increase of 5.73%, attributable mainly to lower operating expenses. The share of results in Xinyuan decreased by US\$0.06 million (57.28%) to US\$0.04 million for 2Q 2014 compared to US\$0.10 million for 2Q 2013, mainly due to lower profit margin in sales of petrochemical products and higher operating expenses.

Income tax expense was US\$0.81 million for 2Q 2014 compared to US\$0.41 million for 2Q 2013, an increase of 99.26% 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 2Q 2014 was US\$17.74 million compared to US\$13.40 million for 2Q 2013, an increase of US\$4.34 million (32.44%), mainly due to higher contribution from share of results of associates. Earnings per share was 2.06 US cents for 2Q 2014 compared to 1.56 US cents for 2Q 2013.

2nd Qtr 2014 v 1st Qtr 2014

The total supply and trading volume for jet fuel and other oil products decreased by 0.11 million tonnes (2.39%) to 4.50 million tonnes for 2Q 2014 compared to 4.61 million tonnes for the first quarter ended 31 March 2014 (“1Q 2014”).

Consequently, total revenue decreased by US\$93.00 million (2.31%) to US\$3,933.86 million for 2Q 2014 from US\$4,026.86 million for 1Q 2014.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$11.17 million for 2Q 2014, a decrease of 22.91% compared to US\$14.49 million for 1Q 2014. This was mainly due to lower trading gains.

Other operating income was negative US\$0.08 million for 2Q 2014 compared to a credit of US\$0.27 million for 1Q 2014, mainly due to foreign exchange loss of US\$0.17 million in 2Q 2014 compared to foreign exchange gain of US\$0.23 million in 1Q 2014, which was due to revaluation differences on the foreign currency balances against the US Dollar. Bank interest income was US\$0.09 million for 2Q 2014 compared to US\$0.04 million for 1Q 2014.

Total expenses was US\$6.33 million for 2Q 2014 compared to US\$4.05 million for 1Q 2014, an increase of US\$2.28 million (56.30%), mainly due to the increase in professional fee incurred for business development, increase in information technology expenses and higher provision for staff related costs.

The share of profits from associates was US\$13.79 million for 2Q 2014 compared to US\$9.61 million for 1Q 2014, an increase of 43.50%. This was mainly attributable to the share of profits from OKYC of US\$1.73 million for 2Q 2014 compared to a share of loss of US\$1.09 million for 1Q 2014, an improvement of US\$2.82 million attributable mainly to the MTM gain of its CSR contracts in 2Q 2014 compared to the MTM loss and costs incurred in resolving a contractual dispute in 1Q 2014.

Share of profits from Pudong was US\$11.52 million for 2Q 2014 compared to US\$10.15 million for 1Q 2014, an increase of US\$1.37 million (13.50%) due to the increase in refuelling volume that led to higher revenue coupled with lower cost of sales attributable to lower procurement costs.

Share of profits from TSN-PEKCL for 2Q 2014 was US\$0.50 million, a slight increase of US\$0.01 million (2.04%) compared to US\$0.49 million for 1Q 2014.

The share of results in Xinyuan decreased by US\$0.03 million (42.86%) to US\$0.04 million for 2Q 2014 compared to US\$0.07 million for 1Q 2014 owing to higher operating expenses.

Income tax expense was US\$0.81 million for 2Q 2014 compared to US\$0.65 million for 1Q 2014, an increase of 24.62% due mainly to higher recognition of deferred tax liabilities on the Company's share of undistributed retained earnings from associates.

The Group's net profit for 2Q 2014 was US\$17.74 million compared to US\$19.67 million for 1Q 2014, a decrease of US\$1.93 million (9.81%), mainly due to the decrease in gross profit and higher operating expenses. Earnings per share was 2.06 US cents for 2Q 2014 compared to 2.29 US cents for 1Q 2014.

1H 2014 v 1H 2013

The total supply and trading volume for jet fuel and other oil products increased by 1.18 million tonnes (14.90%) to 9.10 million tonnes for the first half year ended 30 June 2014 ("1H 2014") compared to 7.92 million tonnes for the first half year ended 30 June 2013 ("1H 2013"). The volume of jet fuel supply and trading decreased by 0.48 million tonnes (9.07%) to 4.81 million tonnes for 1H 2014 compared to 5.29 million tonnes for 1H 2013. The trading volume of other oil products increased by 1.66 million tonnes (63.12%) to 4.29 million tonnes for 1H 2014 compared to 2.63 million tonnes for 1H 2013.

Total revenue increased by US\$409.69 million (5.43%) to US\$7,960.72 million for 1H 2014 from US\$7,551.03 million for 1H 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\$25.66 million for 1H 2014, a decrease of 24.11% compared to US\$33.81 million for 1H 2013. This was mainly attributable to the decrease in trading gains as a result of lower international trading volumes from jet fuel and higher storage costs for fuel oil.

Other operating income was slightly higher at US\$0.20 million for 1H 2014 compared to US\$0.19 million for 1H 2013.

Total expenses decreased by US\$0.81 million (7.25%) to US\$10.37 million for 1H 2014 compared to US\$11.18 million for 1H 2013, mainly due to lower finance cost relating to bank charges and interest expense.

The share of profits from associates was US\$23.40 million for 1H 2014 compared to US\$13.14 million for 1H 2013, an increase of US\$10.26 million or 78.09%, mainly due to a higher share of profits from Pudong and the improvement in share of results from OKYC. The share of profits in Pudong was US\$21.67 million for 1H 2014

compared to US\$15.74 million for 1H 2013, an increase of US\$5.93 million (37.62%) 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 profits from OKYC was US\$0.64 million for 1H 2014 compared to share of loss of US\$3.79 million for 1H 2013, an improvement of US\$4.43 million mainly due to the recognition of MTM gain and loss respectively from its 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 effectiveness 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 was US\$0.98 million for 1H 2014 compared to US\$0.95 million for 1H 2013, an increase of 3.91% attributable mainly to higher other operating income. The share of results in Xinyuan decreased by US\$0.13 million (53.16%) to US\$0.11 million for 1H 2014 compared to US\$0.24 million for 1H 2013, mainly due to lower profit margin in sales of petrochemical products, lower rental income from oil storage tanks and higher operating expenses.

Income tax expense was US\$1.47 million for 1H 2014 compared to US\$1.06 million for 1H 2013, an increase of 38.56% 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 1H 2014 was US\$37.41 million compared to US\$34.90 million for 1H 2013, an increase of US\$2.51 million (7.21%), mainly attributable to the increase in share of results from associates. Earnings per share was 4.35 US cents for 1H 2013 compared to 4.06 US cents for 1H 2013.

Statement of Financial Position

The Group’s current assets stood at US\$1,496.43 million as at 30 June 2014 compared to US\$1,289.85 million as at 31 December 2013. The increase of US\$206.58 million in current assets resulted mainly from:

- (i) an increase of US\$11.38 million in inventories held for trading;
- (ii) an increase of US\$183.71 million in trade and other receivables to US\$1,304.14 million as at 30 June 2014 from US\$1,120.43 million as at 31 December 2013 due to higher sales revenue in June 2014 compared to December 2013; and
- (iii) an increase of US\$11.49 million in cash and cash equivalents which was mainly attributable to the cash inflow of US\$30.97 million from operating activities partially offset by the aggregate cash outflow of US\$19.61 million from investing and financing activities.

Non-current assets stood at US\$269.52 million as at 30 June 2014, compared to US\$285.04 million as at 31 December 2013. The decrease of US\$15.52 million was mainly attributable to the dividends of US\$35.15 million declared by associates and the impact of foreign currency translation reserve of US\$2.91 million partially offset by the share of profits in associates of US\$23.40 million for 1H 2014.

Current liabilities comprised trade and other payables, bank borrowings and tax payables, increased by US\$171.00 million to US\$1,216.10 million as at 30 June 2014 compared to US\$1,045.10 million as at 31 December 2013. This was mainly due to increase in trade payables in June 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\$544.37 million as at 30 June 2014, or 63.28 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

2Q 2014 v 2Q 2013

The net cash used in operating activities was US\$4.46 million in 2Q 2014 compared to net cash generated from operating activities of US\$62.92 million in 2Q 2013, attributable mainly to higher working capital requirements for trading activities.

Cash flows generated from investing activities amounted to US\$0.01 million in 2Q 2014, compared to cash flows used in investing activities of US\$0.97 million in 2Q 2013. The cash outflow in 2Q 2013 was mainly for the purchase of a new risk management IT software.

Cash flows used in financing activities of US\$20.40 million in 2Q 2014 was mainly attributable to the repayment of loans and borrowings and dividend payout. Cash flows generated from financing activities of US\$43.28 million in 2Q 2013 was mainly attributable to higher bank borrowings in support of increased trading activities.

1H 2014 v 1H 2013

The net cash generated from operating activities was US\$30.97 million in 1H 2014 compared to US\$20.96 million generated in 1H 2013 mainly due to lower working capital requirements for trading activities.

Cash flows used in investing activities amounted to US\$0.12 million in 1H 2014 compared to US\$0.99 million used in 1H 2013 mainly due to lower cash used for IT software.

Cash flows used in financing activities of US\$19.49 million in 1H 2014 was attributable to aggregate of US\$146.66 million used in repayment of bank borrowings, US\$13.69 million used in dividend payout of two Singapore cents per share and US\$0.45 million used in payment of bank interest partially offset by aggregate proceeds of US\$141.31 million from bank borrowings. In 1H 2013, cash flows generated from financing activities of US\$48.71 million was attributable to aggregate proceeds of US\$134.82 million from bank borrowings partially offset by aggregate of US\$73.73 million used in repayment of bank borrowings, US\$0.83 million used in payment of bank interest and US\$11.57 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.

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.

China's domestic refinery capacity is increasing amidst the increase in demand for jet fuel. Coupled with the geopolitical uncertainties contributing to oil price volatilities, the oil trading environment remains challenging. The Company will continue to focus on its core jet supply and trading business globally while expanding its aviation marketing business into more airports outside China. The Company will also continue 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 June 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 June 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 92	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)
	2Q 2014 US\$'000	2Q 2014 US\$'000	1H 2014 US\$'000	1H 2014 US\$'000
Sales revenue from related corporations	0	930,812	0	1,810,418
Sales revenue from related corporation of a corporate shareholder	0	195,259	0	195,259
Purchases from related corporations	0	62,915	0	113,453
Purchases from related corporation of a corporate shareholder	0	119,807	0	161,267
Services rendered from related corporation of a corporate shareholder	0	135	0	269
Gain from trading of derivative financial instrument with related corporation of a corporate shareholder	0	125	0	20
Supply chain services rendered from related corporation	0	2,134	0	2,853
Supply chain services rendered from related corporation of a corporate shareholder	0	0	0	224
Interest income earned by associate from related corporations	95	0	182	0
Transportation revenue earned by associate from related corporations	0	2,961	0	4,312
Loan granted by associate to related corporation	2,473	0	3,298	0
Principal deposited with interested person	2,770	0	2,950	0

BY ORDER OF THE BOARD

Doreen Nah
Company Secretary
31 July 2014