



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)
Second Quarter/Half Year Financial Statement For The Period Ended 30 June 2013

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 2013	2Q 2012	Variance	1H 2013	1H 2012	Variance
	US\$'000	US\$'000	+/- %	US\$'000	US\$'000	+/- %
Revenue (Note 1)	3,769,754	3,712,546	1.54%	7,551,030	6,616,565	14.12%
Cost of sales	(3,755,403)	(3,702,423)	1.43%	(7,517,217)	(6,592,884)	14.02%
Gross Profit	14,351	10,123	41.77%	33,813	23,681	42.79%
Other operating income (Note 2)	61	51	19.61%	186	60	210.00%
Administrative expenses	(3,760)	(3,314)	13.46%	(7,426)	(6,051)	22.72%
Other operating expenses	(651)	(226)	188.05%	(1,201)	(329)	265.05%
Finance costs	(1,190)	(1,362)	-12.63%	(2,557)	(2,239)	14.20%
Operating Profit	8,811	5,272	67.13%	22,815	15,122	50.87%
Share of results of associates (net of tax) (Note 3)	4,994	9,602	-47.99%	13,139	20,751	-36.68%
Profit before income tax	13,805	14,874	-7.19%	35,954	35,873	0.23%
Tax expense (Note 4)	(408)	(487)	-16.22%	(1,058)	(1,064)	-0.56%
PROFIT FOR THE PERIOD	13,397	14,387	-6.88%	34,896	34,809	0.25%
Attributable to:						
Equity holders of the Company	13,397	14,387	-6.88%	34,896	34,809	0.25%

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 2013	2Q 2012	Variance	1H 2013	1H 2012	Variance
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
PROFIT FOR THE PERIOD	13,397	14,387	-6.88%	34,896	34,809	0.25%
Other comprehensive income/(loss):						
Exchange differences on translation of the financial statements of foreign associates ⁽¹⁾	1,015	(2,289)	NM	(366)	(2,267)	-83.86%
Other comprehensive income/(loss) for the period, net of tax	1,015	(2,289)	NM	(366)	(2,267)	-83.86%
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,412	12,098	19.13%	34,530	32,542	6.11%
Total comprehensive income attributable to:						
Owners of the parent	14,412	12,098	19.13%	34,530	32,542	6.11%

- (1) 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 2013	2Q 2012	Var	1H 2013	1H 2012	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Depreciation of property, plant and equipment	(199)	(194)	2.58%	(397)	(384)	3.39%
Amortisation of intangible assets	(107)	(25)	328.00%	(767)	(52)	NM
Interest expense	(464)	(243)	90.95%	(835)	(468)	78.42%
Bank interest income	42	44	-4.55%	93	97	-4.12%
Foreign exchange gain/(loss)	19	7	171.43%	93	(85)	NM

Note 1: Revenue

	Group			Group		
	2Q 2013	2Q 2012	Var	1H 2013	1H 2012	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Revenue from middle distillates	3,052,744	3,375,772	-9.57%	6,237,814	5,843,168	6.75%
Revenue from other oil products	717,010	336,774	112.91%	1,313,216	773,397	69.80%
	3,769,754	3,712,546	1.54%	7,551,030	6,616,565	14.12%

Note 2: Other operating income

	Group			Group		
	2Q 2013 US\$'000	2Q 2012 US\$'000	Var + / - %	1H 2013 US\$'000	1H 2012 US\$'000	Var + / - %
Bank interest income	42	44	-4.55%	93	97	-4.12%
Foreign exchange (loss)/gain	19	7	171.43%	93	(85)	NM
Other income	-	-	NM	-	48	NM
	61	51	19.61%	186	60	210.00%

Note 3: Share of results of associates

	Group			Group		
	2Q 2013 US\$'000	2Q 2012 US\$'000	Var + / - %	1H 2013 US\$'000	1H 2012 US\$'000	Var + / - %
Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong")	5,282	9,150	-42.27%	15,743	19,625	-19.78%
China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL")	471	367	28.34%	947	838	13.01%
China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan")	103	61	68.85%	237	264	-10.23%
Oilhub Korea Yeosu Co., Ltd ("OKYC")	(862)	24	NM	(3,788)	24	NM
	4,994	9,602	-47.99%	13,139	20,751	-36.68%

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 and provision of tax for income earned by a subsidiary during the period. The undistributed retained earnings from associates 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 13 US\$'000	As at 31 Dec 12 US\$'000	As at 30 Jun 13 US\$'000	As at 31 Dec 12 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	7,694	8,046	7,646	7,992
Intangible assets	2,213	1,975	1,032	160
Subsidiaries	-	-	25,114	25,329
Associates (Note 1)	223,752	248,874	111,526	111,526
Deferred tax assets	7,087	7,093	7,083	7,083
	240,746	265,988	152,401	152,090
Current assets				
Inventories	24,391	18,572	21,632	15,568
Trade and other receivables	1,063,856	1,284,636	981,170	1,218,242
Cash and cash equivalents	149,937	81,144	134,103	75,290
	1,238,184	1,384,352	1,136,905	1,309,100
Total assets	1,478,930	1,650,340	1,289,306	1,461,190
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	215,573	215,573	215,573	215,573
Retained earnings	237,313	213,989	164,427	117,253
Other components of equity	29,737	30,371	(5,482)	(5,211)
Total equity	482,623	459,933	374,518	327,615
Non-current liabilities				
Deferred tax liabilities	5,218	6,194	-	-
Current liabilities				
Trade and other payables	927,762	1,182,184	864,788	1,132,771
Loans and borrowings	62,780	1,666	50,000	804
Current tax liabilities	547	363	-	-
	991,089	1,184,213	914,788	1,133,575
Total liabilities	996,307	1,190,407	914,788	1,133,575
Total equity and liabilities	1,478,930	1,650,340	1,289,306	1,461,190

Note 1: Associates, Pudong and TSN-PEKCL had declared a total dividend of US\$37.95 million in 2Q 2013 of which US\$36.23 million, net of withholding tax, is expected to be received at the end of 2013. 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 2013 was US\$13.14 million less the US\$0.37 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 2013		As at 31 Dec 2012	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
0	62,780	0	1,666

Amount repayable after one year

As at 30 Jun 2013		As at 31 Dec 2012	
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 2013	2Q 2012	1H 2013	1H 2012
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Profit for the period	13,397	14,387	34,896	34,809
Adjustments for items not involving outlay of funds:-				
Depreciation of property, plant and equipment	199	194	397	384
Amortisation of intangible assets	107	25	767	52
Share of results of associates (net of tax)	(4,994)	(9,602)	(13,139)	(20,751)
Interest income	(42)	(44)	(93)	(97)
Interest expense	464	243	835	468
Tax expense	407	487	1,058	1,064
Share-based payment	-	91	(271)	187
Unrealised exchange differences	(82)	(70)	(119)	(137)
	<u>9,456</u>	<u>5,711</u>	<u>24,331</u>	<u>15,979</u>
Changes in working capital				
Inventories	(13,577)	(18,331)	(5,819)	19,256
Trade and other receivables	287,040	59,634	256,836	(204,653)
Trade and other payables	(220,003)	(123,023)	(254,393)	207,627
	<u>62,916</u>	<u>(76,009)</u>	<u>20,955</u>	<u>38,209</u>
Tax paid	-	-	-	(9)
Cash flows from/(used in) operating activities	<u><u>62,916</u></u>	<u><u>(76,009)</u></u>	<u><u>20,955</u></u>	<u><u>38,200</u></u>
Investing activities				
Interest received	37	45	88	107
Purchase of property, plant and equipment	(12)	(19)	(74)	(86)
Purchase of intangible assets	(996)	-	(1,005)	-
Acquisition of subsidiaries, net of cash acquired	-	-	-	(8,725)
Acquisition of associate	-	(28,785)	-	(28,785)
Dividends received from associate	-	2,260	-	2,260
Cash flows used in investing activities	<u><u>(971)</u></u>	<u><u>(26,499)</u></u>	<u><u>(991)</u></u>	<u><u>(35,229)</u></u>
Financing activities				
Interest paid	(464)	(194)	(835)	(419)
Proceeds from loans and bank borrowings	110,458	56,563	134,842	111,274
Repayment of loans and bank borrowings	(55,148)	(37,211)	(73,728)	(94,711)
Dividend paid	(11,569)	(11,555)	(11,569)	(11,555)
Cash flows from financing activities	<u><u>43,277</u></u>	<u><u>7,603</u></u>	<u><u>48,710</u></u>	<u><u>4,589</u></u>
Net increase/(decrease) in cash and cash equivalents	105,222	(94,905)	68,674	7,560
Cash and cash equivalents at beginning of the period	44,633	190,597	81,144	88,065
Net effect of exchange rate fluctuations on cash held	82	70	119	137
Cash and cash equivalents at end of the period	<u><u>149,937</u></u>	<u><u>95,762</u></u>	<u><u>149,937</u></u>	<u><u>95,762</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 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
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

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 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
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

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 period ended 30 June 2013.

Employee share option plans

As at 30 June 2013, there were 3,562,600 outstanding share options (31 December 2012: 5,262,000 share options) which, when exercisable, would entitle the holders to subscribe for a total of 3,562,600 ordinary shares (31 December 2012: 5,262,000 ordinary shares) of the Company at an exercise price of S\$0.91 per share (“**Outstanding Share Options**”).

The Outstanding Share Options as at 30 June 2013 constitute approximately 0.49% of the total issued shares of the Company (including treasury shares held by the Company).

Treasury shares

During the quarter ended 30 June 2013, 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 25 April 2013.

As at 30 June 2013, a total of 6,000,000 ordinary shares (31 December 2012: 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 2013	2Q 2012	1H 2013	1H 2012
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)	(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	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 2012.

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 2013. 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 2013		2Q 2012		1H 2013		1H 2012	
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	1.87	US cents	2.01	US cents	4.87	US cents	4.86	US cents
- Weighted average number of shares ('000)	716,821		716,862		716,821		716,821	
(b) On a fully diluted basis	1.86	US cents	1.99	US cents	4.84	US cents	4.82	US cents
- Adjusted weighted average number of shares ('000)	720,383		722,681		720,993		722,681	

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:

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
Net asset value per ordinary share based on issued share capital at the end of the period reported on (US cents)	67.33	64.16	52.25	45.70
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 2013 and 31 December 2012 (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:
- (a) 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
 - (b) 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.

We are 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 two wholly-owned subsidiaries located in Hong Kong and Los Angeles, USA; China Aviation Oil (Hong Kong) Company Limited ("CAOHK") and North American Fuel Corporation ("NAFCO") respectively. 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"), China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan") and Oilhub Korea Yeosu Co., Ltd ("OKYC"). The oil storage terminal of OKYC has officially commenced operation on 1 April 2013.

Consolidated Statement of Comprehensive Income

2nd Qtr 2013 v 2nd Qtr 2012

The total supply and trading volume for jet fuel and other oil products increased by 0.37 million tonnes (9.89%) to 4.11 million tonnes for the second quarter ended 30 June 2013 ("2Q 2013") compared to 3.74 million tonnes for the second quarter ended 30 June 2012 ("2Q 2012"). The volume of jet fuel supply and trading decreased by 0.14 million tonnes (4.93%) to 2.70 million tonnes for 2Q 2013 compared to 2.84 million tonnes for 2Q 2012, mainly due to lower trading volume. The trading volume of other oil products increased by 0.51 million tonnes (56.67%) to 1.41 million tonnes for 2Q 2013 compared to 0.90 million tonnes for 2Q 2012 as trading activities increased across the board.

Total revenue increased by US\$57.21 million (1.54%) to US\$3,769.75 million for 2Q 2013 from US\$3,712.54 million for 2Q 2012. This was mainly attributable to higher trading volume compared to the corresponding period.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$14.35 million for 2Q 2013, an increase of 41.77% compared to US\$10.12 million for 2Q 2012. This was mainly attributable to stable profits derived from supply and trading of jet fuel and increase in trading gains from other oil products.

Other operating income was US\$0.06 million for 2Q 2013 compared to US\$0.05 million for 2Q 2012, mainly due to higher foreign exchange gain of US\$0.02 million in 2Q 2013 compared to foreign exchange gain of US\$0.01 million in 2Q 2012, which were 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\$0.04 million, the same for both quarters.

Total expenses comprising administrative expenses, other operating expenses and finance costs increased by US\$0.70 million (14.29%) to US\$5.60 million for 2Q 2013 compared to US\$4.90 million for 2Q 2012. The increase in expenses was mainly attributable to higher staff costs due to the increase in average headcount of 85 in 2Q 2013 compared to average headcount of 81 in 2Q 2012 and increase in professional fee incurred for business development.

The share of profits from associates was US\$4.99 million for 2Q 2013 compared to US\$9.60 million for 2Q 2012, a decrease of 47.99% mainly attributable to the decrease of US\$3.87 million (42.27%) on the share of profits in Pudong of US\$5.28 million for 2Q 2013 compared to US\$9.15 million for 2Q 2012. The reduction was mainly due to the decline in gross profit, which was attributable to the decline in sales revenue vis-à-vis costs of sales as jet fuel prices trended lower during the quarter.

Share of profits from TSN-PEKCL for 2Q 2013 was US\$0.47 million compared to US\$0.37 million for 2Q 2012, an increase of 28.34%, attributable to higher revenue from increase in jet fuel transportation volume. The share of results in Xinyuan increased by US\$0.04 million (68.85%) to US\$0.10 million for 2Q 2013 compared to US\$0.06 million for 2Q 2012, mainly due to higher rental income of oil storage tanks. Share of results from OKYC was a loss of US\$0.86 million for 2Q 2013 compared to share of profits of US\$0.02 million for 2Q 2012, mainly due to the recognition of mark-to-market (“MTM”) loss from its foreign currency swap contracts denominated in Korea Won against the US Dollar.

Tax expense, which is attributable mainly to the recognition of deferred tax liabilities on the undistributed retained earnings of associates, was US\$0.41 million for 2Q 2013 compared to US\$0.49 million for 2Q 2012, a decrease of 16.22% mainly due to lower profits recorded by the associates. The undistributed retained earnings from associates in China is subject to withholding tax.

The Group’s net profit for 2Q 2013 was US\$13.40 million compared to US\$14.39 million for 2Q 2012, decrease of US\$0.99 million (6.88%), mainly due to lower contribution from share of results of associates. Earnings per share was 1.87 US cents for 2Q 2013 compared to 2.01 US cents for 2Q 2012.

2nd Qtr 2013 v 1st Qtr 2013

The total supply and trading volume for jet fuel and other oil products increased by 0.30 million tonnes (7.87%) to 4.11 million tonnes for 2Q 2013 compared to 3.81 million tonnes for the first quarter ended 31 March 2013 (“1Q 2013”).

Total revenue decreased by US\$11.53 million (0.30%) to US\$3,769.75 million for 2Q 2013 from US\$3,781.28 million for 1Q 2013, mainly attributable to lower jet fuel prices in 2Q 2013.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$14.35 million for 2Q 2013, a decrease of 26.26% compared to US\$19.46 million for 1Q 2013. This was mainly due to higher cost of sales arising from increase in freight costs and storage fees.

Other operating income was US\$0.06 million for 2Q 2013 compared to US\$0.12 million for 1Q 2013, mainly due to lower foreign exchange gain of US\$0.02 million in 2Q 2013 compared to foreign exchange gain of US\$0.07 million in 1Q 2013. Bank interest income was also lower by US\$0.01 million attributable to lower deposits placed with banks.

Total expenses was US\$5.60 million for 2Q 2013 compared to US\$5.58 million for 1Q 2013, a slight increase of US\$0.02 million (0.36%).

The share of profits from associates was US\$4.99 million for 2Q 2013 compared to US\$8.15 million for 1Q 2013, a decrease of 38.77%. This was mainly attributable to a reduction in the share of profits in Pudong from US\$10.46 million for 1Q 2013 to US\$5.28 million for 2Q 2013, a decrease of US\$5.18 million (49.52%) due to the decline in gross profit, which was attributable to the decline in sales revenue vis-à-vis costs of sales as jet fuel prices trended lower during the quarter.

The share of results in TSN-PEKCL was unchanged at US\$0.47 million for the two quarters in comparison as financial performance is stable.

The share of results in Xinyuan decreased by US\$0.03 million (23.08%) to US\$0.10 million for 2Q 2013 compared to US\$0.13 million for 1Q 2013 owing to higher cost of sales.

Share of results from OKYC was a loss of US\$0.86 million for 2Q 2013 compared to a loss of US\$2.93 million for 1Q 2013, mainly due to the recognition of mark-to-market (“MTM”) loss from its foreign currency swap contracts denominated in Korea Won against the US Dollar. OKYC has officially commenced its business on 1 April 2013 and the contribution from its oil storage activities has partially reduced the impact of the MTM loss in 2Q 2013.

The Group’s net profit for 2Q 2013 was US\$13.40 million compared to US\$21.50 million for 1Q 2013, a decrease of US\$8.10 million (37.67%) due to lower gross profits and lower contribution from the share of results of associates. Earnings per share was 1.87 US cents for 2Q 2013 compared to 3.00 US cents for 1Q 2013.

1H 2013 v 1H 2012

The total supply and trading volume for jet fuel and other oil products increased by 1.36 million tonnes (20.73%) to 7.92 million tonnes for the first half year ended 30 June 2013 (“1H 2013”) compared to 6.56 million tonnes for the first half year ended 30 June 2012 (“1H 2012”). The volume of jet fuel supply and trading increased by 0.25 million tonnes (4.96%) to 5.29 million tonnes for 1H 2013 compared to 5.04 million tonnes for 1H 2012, mainly due to China’s stable demand growth for imported jet fuel and higher trading activities compared year-on-year. The trading volume of other oil products increased by 1.11 million tonnes (73.03%) to 2.63 million tonnes for 1H 2013 compared to 1.52 million tonnes for 1H 2012 as a result of increase in demand for petrochemical products and gasoil.

Total revenue increased by US\$934.47 million (14.12%) to US\$7,551.03 million for 1H 2013 from US\$6,616.56 million for 1H 2012. 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\$33.81 million for 1H 2013, an increase of 42.79% compared to US\$23.68 million for 1H 2012. This was mainly attributable to stable profits derived from supply and trading of jet fuel and increase in trading gains from other oil products.

Other operating income was US\$0.19 million for 1H 2013 compared to US\$0.06 million for 1H 2012. Other operating income of US\$0.19 million in 1H 2013 comprised of bank interest income of US\$0.10 million and foreign exchange gain of US\$0.09 million. Other operating income for 1H 2012 was 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 revaluation differences on the foreign currency balances against the US Dollar.

Total expenses were US\$11.18 million for 1H 2013, increased by 27.90% compared to US\$8.62 million for 1H 2012. The increase in expenses was mainly attributable to i) higher staff costs due to the increase in average headcount of 85 in 1H 2013 compared to average headcount of 74 in 1H 2012 resulting mainly from the new hire and acquisition of subsidiaries; ii) increase in finance cost relating to issuance of Letters of Credit and interest expense as a result of increased business activities; iii) higher professional fee incurred for evaluation of new projects; and iv) amortisation of US\$0.63 million following the Purchase Price Allocation (“PPA”) exercise undertaken in accordance to FRS 103 in relation to the acquisition of CAOHK.

The share of profits from associates was US\$13.14 million for 1H 2013 compared to US\$20.75 million for 1H 2012, a decrease of US\$7.61 million or 36.68%, mainly due to a reduction in share of profits of US\$3.89 million (19.78%) from Pudong and share of loss of US\$3.79 million from OKYC which was attributable mainly to the recognition of the mark-to-market (“MTM”) loss from its foreign currency swap contracts denominated in Korea Won against the US Dollar. The reduction in the share of profits in Pudong from US\$19.63 million for 1H 2012 to US\$15.74 million for 1H 2013 was mainly due to the decline in gross profit which was attributable to the decline in sales revenue vis-à-vis costs of sales as jet fuel prices continue to trend lower from April to June 2013.

Share of profits from TSN-PEKCL was US\$0.95 million for 1H 2013 compared to US\$0.84 million for 1H 2012, an increase of 13.01% attributable to higher revenue from increase in pipeline transportation volume. The share of results in Xinyuan decreased by US\$0.02 million (10.23%) to US\$0.24 million for 1H 2013 compared to US\$0.26 million for 1H 2012, mainly due to reduction in sales volume of petrochemical products.

Tax expense, comprised mainly the provision of income tax of a subsidiary in addition to the recognition of deferred tax liabilities on the Company’s share of undistributed retained earnings from associates, was US\$1.06 million for both 1H 2013 and 1H 2012. The undistributed retained earnings from associates in China, is subject to withholding tax.

The Group’s net profit for 1H 2013 was US\$34.90 million compared to US\$34.81 million for 1H 2012, an increase of US\$0.09 million (0.25%), mainly attributable to the increase in gross profit and other operating income of US\$10.13 million and US\$0.13 million respectively, partially offset by the decrease in share of results of associates of US\$7.61 million and the increase in expenses. Earnings per share was 4.87 US cents for 1H 2013 compared to 4.86 US cents for 1H 2012.

Statement of Financial Position

The Group's current assets stood at US\$1,238.18 million as at 30 June 2013 compared to US\$1,384.35 million as at 31 December 2012. The decrease of US\$146.17 million in current assets resulted mainly from:

- (i) an increase of US\$5.82 million in inventories for trading;
- (ii) a decrease of US\$220.78 million in trade and other receivables to US\$1,063.86 million as at 30 June 2013 from US\$1,284.64 million as at 31 December 2012 due to lower sales revenue in June 2013 compared to December 2012; and
- (iii) an increase of US\$68.79 million in cash and cash equivalents which was mainly attributable to the aggregate cash inflow of US\$69.67 million from operating and financing activities partially offset by US\$1.00 million cash outflow from investing activities.

Non-current assets stood at US\$240.75 million as at 30 June 2013, compared to US\$265.99 million as at 31 December 2012. The decrease of US\$25.24 million was mainly attributable to the dividends of US\$37.95 million declared by associates partially offset by the share of profits in associates of US\$13.14 million for 1H 2013.

Current liabilities made up of trade and other payables, bank borrowings and tax payables, decreased by US\$28.49 million to US\$1,155.72 million as at 30 June 2013 compared to US\$1,184.21 million as at 31 December 2012. This was mainly due to the prepayment made to a supplier and lower trading activity of other oil products transacted in June 2013 compared to December 2012.

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.

The Group's net assets stood at US\$482.62 million as at 30 June 2013, or 67.33 US cents per share, compared to US\$459.93 million as at 31 December 2012 or 64.16 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 2013 less the dividend payout in May 2013.

Consolidated Statement of Cash Flows

2Q 2013 v 2Q 2012

The net cash generated from operating activities was US\$62.92 million in 2Q 2013 compared to net cash used in operating activities of US\$76.01 million in 2Q 2012, attributable mainly to timing difference in receipts from trade receivables and payments to trade suppliers.

Cash flows used in investing activities amounted to US\$0.97 million in 2Q 2013, compared to cash flows used in investing activities of US\$26.50 million in 2Q 2012. Cash used in investing activities for 2Q 2013 comprised US\$1.00 million used in the purchase of IT software partially offset by interest income received of US\$0.03 million. Cash flows used in investing activities amounted to US\$26.50 million in 2Q 2012, mainly attributable to the acquisition of 26% equity stake in OKYC in April 2012.

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 2013 v 1H 2012

The net cash generated from operating activities was US\$20.96 million in 1H 2013 compared to US\$38.20 million generated in 1H 2012 mainly due to higher working capital requirement in the period as a result of higher trading activities.

Cash flows used in investing activities amounted to US\$0.99 million in 1H 2013 compared to US\$35.23 million used in 1H 2012. The cash flows used in investing activities in 1H 2013 comprised the US\$1.08 million used in the purchase of intangible assets and property, plant and equipment partially offset by interest receipts of US\$0.09 million from time deposits placed with banks. 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 received of US\$0.11 million from time deposits placed with banks.

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. 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.

- 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 2013, the Company stated “As jet fuel prices have been declining since mid-February 2013, Pudong’s margin and performance may be affected, which if realized will in turn affect the performance of the Group in 2Q 2013.”

The decrease of net earnings by 6.88% compared to 2Q 2012 and 37.67% compared to 1Q 2013 was mainly due to the results of Pudong. Share of results from Pudong was US\$5.28 million for 2Q 2013, relatively lower compared to US\$9.15 million reported in 2Q 2012 and US\$10.46 million recorded in 1Q 2013 respectively. This is attributable mainly to the decline in jet fuel prices since mid-February and in 2Q 2013, which has a greater impact on sales revenue as compared to cost of sales. The average jet fuel price in 1Q 2013 was US\$128.00 per bbl and the average jet fuel price in 2Q 2013 was US\$116.00 per bbl.

In 2Q 2013, the core business of the Company continued to contribute and achieve growth in gross profit of 41.77% compared to 2Q 2012. For 1H 2013, gross profit increased by 42.79% to US\$33.81 million compared to US\$23.68 million for 1H 2012, which has significantly offset the decline in share of profits from the associates. Overall, the Group reported a modest growth of 0.25% in net earnings for 1H 2013 over the same period last year.

- 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.

Whilst China’s economic growth is expected to slow, we expect its civil aviation industry to continue to grow and demand for jet fuel to remain robust. We will continue to focus on building a global trading network by consolidating our jet fuel supply and trading business, proactively expanding other oil products trading activities and aviation fuel marketing business, as well as proactively seeking opportunities to invest in or acquire synergetic businesses or assets in line with our corporate strategy.

- 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 2013.

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 2013 to 30 June 2013.

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 2013 US\$'000	2Q 2013 US\$'000	1H 2013 US\$'000	1H 2013 US\$'000
Sales revenue from related corporations	0	823,165	0	1,800,356
Sales revenue from related corporation of a corporate shareholder	0	227,369	0	319,167
Purchases from related corporations	0	53,254	0	98,271
Purchases from related corporation of a corporate shareholder	0	283,389	0	497,089
Services rendered from related corporation of a corporate shareholder ¹	0	136	0	274
Gain/(Loss) from trading of derivative financial instrument with related corporation of a corporate shareholder	0	274	0	(852)
Supply chain services rendered from related corporation	0	1,196	0	1,834
Transportation revenue earned by associate from related corporations	0	3,666	0	4,638
Loan granted by associate to related corporation ²	1,669	0	2,494	0

Note:

- 1) On 18 April 2012, the services agreement in relation to services provided by a related corporation of a corporate shareholder was renewed for a period of 6 years from 1 April 2008. The fees for services rendered under the services agreement for the period from 1 April 2008 to 31 December 2012 amounted to about US\$2,047,000.00.
- 2) The aggregate amount of loan granted by an associate to a related corporation amounted to US\$814,000.00 for the six months ended 30 June 2012.

BY ORDER OF THE BOARD

Doreen Nah
Company Secretary
1 August 2013