



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)
Second Quarter/Half Year Financial Statement For The Period Ended 30 June 2016

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 2016	2Q 2015	Variance		1H 2016	1H 2015	Variance	
	US\$'000	US\$'000	+ / -	%	US\$'000	US\$'000	+ / -	%
Revenue (Note 1)	3,023,349	2,524,019	19.78%		4,487,588	4,605,001	-2.55%	
Cost of sales	(3,013,448)	(2,514,814)	19.83%		(4,464,509)	(4,590,493)	-2.74%	
Gross Profit	9,901	9,205	7.56%		23,079	14,508	59.08%	
Other income (Note 2)	323	(215)	NM		454	744	-38.98%	
Administrative expenses	(3,883)	(3,384)	14.75%		(7,293)	(6,667)	9.39%	
Other operating expenses (Note 3)	(719)	(246)	192.28%		216	2,656	-91.87%	
Finance costs	(223)	(267)	-16.48%		(365)	(621)	-41.22%	
Operating Profit	5,399	5,093	6.01%		16,091	10,620	51.52%	
Share of results of associates and joint venture (net of tax) (Note 4)	19,368	13,497	43.50%		33,547	22,822	46.99%	
Profit before tax	24,767	18,590	33.23%		49,638	33,442	48.43%	
Tax expense (Note 5)	(1,146)	(805)	42.36%		(1,868)	(1,301)	43.58%	
Profit for the period	23,621	17,785	32.81%		47,770	32,141	48.63%	
Attributable to:								
Owners of the Company	23,621	17,785	32.81%		47,770	32,141	48.63%	

Consolidated statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group				Group			
	2Q 2016	2Q 2015	Variance		1H 2016	1H 2015	Variance	
	US\$'000	US\$'000	+/-	%	US\$'000	US\$'000	+/-	%
PROFIT FOR THE PERIOD	23,621	17,785	32.81%		47,770	32,141	48.63%	
Other comprehensive loss:								
Items that are or may be reclassified subsequently to profit or loss:								
Translation differences relating to financial statements of foreign associates (note (a))	(6,607)	(4)	NM		(4,238)	(632)	570.57%	
Other comprehensive loss for the period, net of tax	(6,607)	(4)	NM		(4,238)	(632)	570.57%	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	17,014	17,781	-4.31%		43,532	31,509	38.16%	
Total comprehensive income attributable to:								
Owners of the parent	17,014	17,781	-4.31%		43,532	31,509	38.16%	

On the disposal of foreign associates or loss of significant influence over foreign associates, all of the accumulated translation differences in respect of that foreign associates will be reclassified to profit or loss.

Note (a): Comparing the half year ended 30 June 2016 and 2015, RMB depreciated by approximately 2.60% against US dollar in 1H 2016 giving rise to the translation loss on foreign associates denominated in RMB to US dollar.

Profit before income tax is derived at after crediting / (charging):

	Group			Group		
	2Q 2016	2Q 2015	Var	1H 2016	1H 2015	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Depreciation of property, plant and equipment	(178)	(211)	-15.64%	(354)	(420)	-15.71%
Amortisation of intangible assets	(116)	(178)	-34.83%	(311)	(353)	-11.90%
Interest expense	(26)	(40)	-35.00%	(29)	(125)	-76.80%
Bank interest income	287	37	675.68%	483	87	455.17%
Write back of allowance for doubtful debts	-	-	-	1,140	3,100	-63.23%
Net foreign exchange gain/(loss)	36	(252)	NM	(29)	657	NM

Note 1: Revenue

	Group			Group		
	2Q 2016	2Q 2015	Var	1H 2016	1H 2015	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Revenue from middle distillates	1,993,499	2,091,482	-4.68%	3,247,262	3,893,867	-16.61%
Revenue from other oil products	1,029,850	432,537	138.10%	1,240,326	711,134	74.42%
	3,023,349	2,524,019	19.78%	4,487,588	4,605,001	-2.55%

The decrease in revenue year-on-year was primarily due to the decline in jet fuel prices which averaged at US\$49.02 per bbl for 1H 2016 compared to an average price of US\$73.45 per bbl for 1H 2015 partially offset by the increase in revenue from other oil products.

Note 2: Other income

	Group			Group		
	2Q 2016 US\$'000	2Q 2015 US\$'000	Var + / - %	1H 2016 US\$'000	1H 2015 US\$'000	Var + / - %
Bank interest income	287	37	675.68%	483	87	455.17%
Net foreign exchange gain/(loss)	36	(252)	NM	(29)	657	NM
	323	(215)	NM	454	744	-38.98%

Note 3: Other operating expenses

Included in other operating expenses was the recovery of monies due from MF Global amounting to US\$1.14 million in 1H 2016 and US\$3.10 million in 1H 2015. Excluding the recovery of bad debts, other operating expenses for 1H 2016 and 1H 2015 were US\$0.92 million and US\$0.44 million respectively.

Note 4: Share of results of associates and joint venture

	Group			Group		
	2Q 2016 US\$'000	2Q 2015 US\$'000	Var + / - %	1H 2016 US\$'000	1H 2015 US\$'000	Var + / - %
Associates:						
Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong")	17,519	12,686	38.10%	29,606	20,935	41.42%
China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL")	912	488	86.89%	1,806	1,037	74.16%
China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan")	50	56	-10.71%	120	436	-72.48%
Oilhub Korea Yeosu Co., Ltd ("OKYC")	1,143	422	170.85%	2,499	665	275.79%
Joint venture:						
CNAF Hong Kong Refuelling Limited ("CNAF HKR")	(256)	(155)	-65.16%	(484)	(251)	-92.83%
	19,368	13,497	43.50%	33,547	22,822	46.99%

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 16 US\$'000 (unaudited)	As at 31 Dec 15 US\$'000 (audited)	As at 30 Jun 16 US\$'000 (unaudited)	As at 31 Dec 15 US\$'000 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment	5,884	6,214	5,792	6,114
Intangible assets	1,604	1,826	423	645
Subsidiaries	-	-	37,648	37,648
Associates and joint venture	294,517	265,620	82,625	82,625
Trade and other receivables	-	-	35,480	35,480
Deferred tax assets	7,604	7,604	7,600	7,600
	309,609	281,264	169,568	170,112
Current assets				
Inventories	126,046	56,826	111,323	51,702
Trade and other receivables	1,043,450	336,922	928,021	306,797
Cash and cash equivalents	211,387	170,505	123,269	144,064
	1,380,883	564,253	1,162,613	502,563
Total assets	1,690,492	845,517	1,332,181	672,675
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	215,573	215,573	215,573	215,573
Reserves	401,349	377,068	234,262	238,313
Total equity	616,922	592,641	449,835	453,886
Non-current liabilities				
Deferred tax liabilities	7,511	6,164	-	-
Current liabilities				
Trade and other payables	1,024,008	246,707	881,270	217,713
Loans and borrowings	41,713	-	1,076	1,076
Current tax liabilities	338	5	-	-
	1,066,059	246,712	882,346	218,789
Total liabilities	1,073,570	252,876	882,346	218,789
Total equity and liabilities	1,690,492	845,517	1,332,181	672,675

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 2016		As at 31 Dec 2015	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
0	41,713	0	0

Amount repayable after one year

As at 30 Jun 2016		As at 31 Dec 2015	
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 2016	2Q 2015	1H 2016	1H 2015
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Profit for the period	23,621	17,785	47,770	32,141
Adjustments for items not involving outlay of funds:-				
Depreciation of property, plant and equipment	178	211	354	420
Amortisation of intangible assets	116	178	311	353
Write back of allowance for doubtful debts	-	-	(1,140)	(3,100)
Share of results of associates and joint venture (net of tax)	(19,368)	(13,497)	(33,547)	(22,822)
Bank interest income	(287)	(37)	(483)	(87)
Interest expense	26	40	29	125
Tax expense	1,146	805	1,868	1,301
Exchange differences	137	(60)	212	134
	5,569	5,425	15,374	8,465
Changes in working capital				
Inventories	(463)	(36,181)	(69,220)	(131,570)
Trade and other receivables	(460,903)	(90,794)	(705,176)	175,658
Trade and other payables	416,599	120,354	777,301	(36,897)
Cash (used in)/generated from operations	(39,198)	(1,196)	18,279	15,656
Tax paid	(21)	(1)	(27)	(1)
Cash flows (used in)/generated from operating activities	(39,219)	(1,197)	18,252	15,655
Investing activities				
Interest received	127	37	271	87
Purchase of property, plant and equipment	(24)	(62)	(24)	(78)
Purchase of intangible assets	(11)	(43)	(89)	(43)
Dividends received from associate	251	-	251	-
Cash flows generated from/(used in) investing activities	343	(68)	409	(34)
Financing activities				
Interest paid	(26)	(40)	(29)	(125)
Proceeds from loans and bank borrowings	41,713	5,000	41,713	5,000
Dividend paid	(19,251)	(12,765)	(19,251)	(12,765)
Cash flows generated from/(used in) financing activities	22,436	(7,805)	22,433	(7,890)
Net (decrease)/increase in cash and cash equivalents	(16,440)	(9,070)	41,094	7,731
Cash and cash equivalents at beginning of the period	227,964	110,893	170,505	94,286
Net effect of exchange rate fluctuations on cash held	(137)	60	(212)	(134)
Cash and cash equivalents at end of the period	211,387	101,883	211,387	101,883

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

THE GROUP	Share capital US\$'000	Retained earnings US\$'000	Treasury shares US\$'000	Foreign currency translation reserve US\$'000	Statutory reserve US\$'000	Total equity US\$'000
As at 1 January 2015	215,573	300,829	(5,482)	26,627	15,967	553,514
Total comprehensive income for the period	-	32,141	-	(632)	-	31,509
Dividend paid in respect of 2014, representing total transactions with shareholders recognised directly in equity	-	(12,765)	-	-	-	(12,765)
Transfer from retained earnings to other reserve	-	(1,624)	-	-	1,624	-
As at 30 June 2015	215,573	318,581	(5,482)	25,995	17,591	572,258
As at 1 January 2016	215,573	346,488	(5,482)	17,238	18,824	592,641
Total comprehensive income for the period	-	47,770	-	(4,238)	-	43,532
Dividend paid in respect of 2015, representing total transactions with shareholders recognised directly in equity	-	(19,251)	-	-	-	(19,251)
Transfer from retained earnings to other reserve	-	(1,226)	-	-	1,226	-
As at 30 June 2016	215,573	373,781	(5,482)	13,000	20,050	616,922

Statement of Changes in Equity

THE COMPANY	Share capital US\$'000	Retained earnings US\$'000	Treasury shares US\$'000	Total equity US\$'000
As at 1 January 2015	215,573	198,502	(5,482)	408,593
Total comprehensive income for the period	-	45,393	-	45,393
Dividend paid in respect of 2014, representing total transactions with shareholders recognised directly in equity	-	(12,765)	-	(12,765)
As at 30 June 2015	215,573	231,130	(5,482)	441,221
As at 1 January 2016	215,573	243,795	(5,482)	453,886
Total comprehensive income for the period	-	15,200	-	15,200
Dividend paid in respect of 2015, representing total transactions with shareholders recognised directly in equity	-	(19,251)	-	(19,251)
As at 30 June 2016	215,573	239,744	(5,482)	449,835

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 changes in the Company's share capital for the quarter ended 30 June 2016.

Treasury shares

During the quarter ended 30 June 2016, the Company did not make any purchase of its own ordinary shares pursuant to the Share Purchase Mandate renewed at the 22nd Annual General Meeting of the Company held on 20 April 2016.

As at 30 June 2016, a total of 6,000,000 ordinary shares (31 December 2015: 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 2016	2Q 2015	1H 2016	1H 2015
Issued ordinary shares				
Balance at beginning/end of period	866,183,628	866,183,628	866,183,628	866,183,628
Treasury shares				
Balance at beginning	(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	860,183,628	860,183,628	860,183,628

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 2015.

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 2016. 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 2016	2Q 2015	1H 2016	1H 2015
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	2.74 US cents	2.07 US cents	5.55 US cents	3.74 US cents
- Weighted average number of shares ('000)	860,184	860,184	860,184	860,184
(b) On a fully diluted basis	2.74 US cents	2.07 US cents	5.55 US cents	3.74 US cents
- Adjusted weighted average number of shares ('000)	860,184	860,184	860,184	860,184

- 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 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Net asset value per ordinary share based on issued share capital at the end of the period reported on (US cents)	71.72	68.90	52.30	52.77
Number of ordinary shares issued ('000)	860,184	860,184	860,184	860,184

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 2016 and 31 December 2015 (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.

CAO is the largest purchaser and trader of physical jet fuel in Asia Pacific region and the sole supplier of imported jet fuel to the civil aviation industry of the People's Republic of China ("PRC"). CAO also engages in trading of jet fuel and other oil products. The Company has wholly-owned subsidiaries located in Hong Kong, North America, United Kingdom, and Singapore; viz. China Aviation Oil (Hong Kong) Company Limited ("CAOHK"), North American Fuel Corporation ("NAFCO"), China Aviation Oil (Europe) Limited ("CAO Europe") and CAOT Pte Ltd ("CAOT") respectively.

In addition, CAO Group owns 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"). CNAF Hong Kong Refuelling Limited ("CNAF HKR"), a joint venture company incorporated on 10 September 2013 through CAOHK, had completed the setting up of refuelling facilities and commenced operations on 1 August 2015.

Consolidated Statement of Comprehensive Income **2nd Qtr 2016 v 2nd Qtr 2015**

The total supply and trading volume for jet fuel and other oil products increased by 4.00 million tonnes (84.39%) to 8.74 million tonnes for the second quarter ended 30 June 2016 ("2Q 2016") compared to 4.74 million tonnes for the second quarter ended 30 June 2015 ("2Q 2015"). The volume of jet fuel supply and trading increased by 0.57 million tonnes (18.10%) to 3.72 million tonnes for 2Q 2016 compared to 3.15 million tonnes for 2Q 2015. The trading volume of other oil products increased by 3.43 million tonnes (215.72%) to 5.02 million tonnes for 2Q 2016 compared to 1.59 million tonnes for 2Q 2015.

Total revenue increased by US\$499.33 million (19.78%) to US\$3,023.35 million for 2Q 2016 from US\$2,524.02 million for 2Q 2015, primarily attributable to the increase in trading volume of other oil products.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$9.90 million for 2Q 2016, an increase of 7.56% compared to US\$9.21 million for 2Q 2015, attributable mainly to the increase in jet fuel volume supplied to China and higher profits from trading and optimisation activities.

Bank interest income derived from time deposits placed with banks was US\$0.29 million for 2Q 2016 compared to US\$0.04 million for 2Q 2015. Foreign exchange differences arising from revaluation differences on foreign currency balances against the US Dollar was a gain of US\$0.03 million for 2Q 2016 compared to loss of US\$0.25 million for 2Q 2015.

Total expenses increased by US\$0.93 million (23.85%) to US\$4.83 million for 2Q 2016 compared to US\$3.90 million for 2Q 2015. The increase in expenses was mainly attributable to higher professional fees incurred for business development and credit insurance.

The share of profits from associates and joint venture was US\$19.37 million for 2Q 2016 compared to US\$13.50 million for 2Q 2015, an increase of 43.50% mainly attributable to higher profit contributions from Pudong and OKYC. The share of profits from Pudong was US\$17.52 million for 2Q 2016 compared to US\$12.69 million for 2Q 2015, increased by 38.10% mainly attributable to higher gross profit as a result of higher refuelling volume and higher profit margin due to the rebound in oil price in 2Q 2016 partially offset by higher operating expenses.

Share of profits from OKYC was US\$1.14 million for 2Q 2016 compared to US\$0.42 million for 2Q 2015, an increase of US\$0.72 million mainly attributable to higher revenue from its tank storage leasing activities. The oil tank storage facilities was operating at full capacity at the end of 2Q 2016.

Share of profits from TSN-PEKCL for 2Q 2016 was US\$0.91 million compared to US\$0.49 million for 2Q 2015, an increase of 86.89%, attributable mainly to higher pipeline transportation volume and higher other operating income. The share of results in Xinyuan was unchanged at US\$0.05 million for 2Q 2016 and 2Q 2015.

The share of loss of US\$0.26 million from CNAF HKR in 2Q 2016 was mainly due to the losses incurred from its refuelling activities. The administrative expenses incurred in 2Q 2016 exceeded the revenue generated from its refuelling volume which was still at the lower end as CNAF HKR had just started its operation since 1 August 2015. The share of loss of US\$0.16 million from CNAF HKR was mainly due to the pre-operating expenses incurred in 2Q 2015.

Income tax expense was US\$1.15 million for 2Q 2016 compared to US\$0.81 million for 2Q 2015, an increase of US\$0.34 million (42.36%) due mainly to the higher deferred tax liabilities on the Company's share of undistributed retained earnings from associates and higher provision for income tax by a subsidiary.

The Group's net profit for 2Q 2016 was US\$23.62 million compared to US\$17.79 million for 2Q 2015, an increase of US\$5.83 million (32.81%) mainly attributable to the increase in gross profit and higher contribution from the share of results of associates. Earnings per share was 2.74 US cents for 2Q 2016 compared to 2.07 US cents for 2Q 2015.

2nd Qtr 2016 v 1st Qtr 2016

The total supply and trading volume for jet fuel and other oil products increased by 3.86 million tonnes (79.10%) to 8.74 million tonnes for 2Q 2016 compared to 4.88 million tonnes for the first quarter ended 31 March 2016 ("1Q 2016").

Consequently, total revenue increased by US\$1,559.11 million (106.48%) to US\$3,023.35 million for 2Q 2016 from US\$1,464.24 million for 1Q 2016.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$9.90 million for 2Q 2016, a decrease of 24.89% compared to US\$13.18 million for 1Q 2016. This was mainly due to lower gains from trading and optimisation activities.

Other operating income was US\$0.32 million for 2Q 2016 compared to US\$0.13 million for 1Q 2016, mainly due to foreign exchange gain of US\$0.03 million in 2Q 2016 compared to foreign exchange loss of US\$0.07 million in 1Q 2016 and higher bank interest income of US\$0.29 million for 2Q 2016 compared to US\$0.20 million for 1Q 2016.

Total expenses was US\$4.83 million for 2Q 2016 compared to US\$2.62 million for 1Q 2016, an increase of US\$2.21 million (84.35%), mainly due to the recovery of doubtful debts of US\$1.14 million recorded in 1Q 2016. The Company made a doubtful debt provision of US\$4.28 million in 2011 when MF Global went under bankruptcy proceedings. Excluding the recovery of bad debts, total expenses increased by US\$1.07 million (28.46%) mainly attributable to higher professional fees incurred for business development and credit insurance.

The share of profits from associates and joint venture was US\$19.37 million for 2Q 2016 compared to US\$14.18 million for 1Q 2016, an increase of 36.60%. This was mainly attributable to the share of profits from Pudong of US\$17.52 million for 2Q 2016 compared to US\$12.09 million for 1Q 2016, an increase of US\$5.43 million (44.91%) due to the increase in refuelling volume and higher oil price in 2Q 2016 compared to the previous quarter that led to higher revenue partially offset by higher operating expenses.

Share of profits from OKYC decreased US\$0.22 million to US\$1.14 million for 2Q 2016 compared to US\$1.36 million for 1Q 2016, attributable mainly to lower foreign exchange gain in 2Q 2016 despite higher revenue from its tank storage leasing activities in 2Q 2016.

Share of profits from TSN-PEKCL for 2Q 2016 was US\$0.91 million, an increase of US\$0.02 million (2.25%) compared to US\$0.89 million for 1Q 2016 mainly due to higher pipeline transportation volume.

The share of results in Xinyuan decreased by US\$0.02 million (28.57%) to US\$0.05 million for 2Q 2016 compared to US\$0.07 million for 1Q 2016 owing to lower gross profit resulted from the decline in sales volume.

The share of loss from CNAF HKR increased by US\$0.03 million (13.04%) to US\$0.26 million for 2Q 2016 from US\$0.23 million for 1Q 2016 as revenue generated from its refuelling volume was insufficient to offset the administrative expense and finance cost.

Income tax expense was US\$1.15 million for 2Q 2016 compared to US\$0.72 million for 1Q 2016, an increase of 59.72% 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 2016 was US\$23.62 million compared to US\$24.15 million for 1Q 2016, a slight decrease of US\$0.53 million (2.19%). Earnings per share was 2.74 US cents for 2Q 2016 compared to 2.81 US cents for 1Q 2016.

1H 2016 v 1H 2015

The total supply and trading volume for jet fuel and other oil products increased by 4.89 million tonnes (55.95%) to 13.63 million tonnes for the first half year ended 30 June 2016 ("1H 2016") compared to 8.74 million tonnes for the first half year ended 30 June 2015 ("1H 2015"). Jet fuel supply and trading volume increased by 0.71 million tonnes (11.77%) to 6.74 million tonnes for 1H 2016 compared to 6.03 million tonnes for 1H 2015. The trading volume of other oil products increased by 4.18 million tonnes (154.24%) to 6.89 million tonnes for 1H 2016 compared to 2.71 million tonnes for 1H 2015.

Total revenue decreased by US\$117.41 million (2.55%) to US\$4,487.59 million for 1H 2016 from US\$4,605.00 million for 1H 2015. This was mainly attributable to the decrease in oil price. 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\$23.08 million for 1H 2016, an increase of 59.08% compared to US\$14.51 million for 1H 2015 mainly due to the increase in jet fuel volume supplied to China and higher gains from trading and optimisation activities.

Other operating income was lower at US\$0.45 million for 1H 2016 compared to US\$0.74 million for 1H 2015, a decrease of US\$0.29 million (38.98%) attributable mainly to the foreign exchange gain recorded in 1H 2015, which was due to revaluation differences on the foreign currency balances against the US Dollar. Bank interest income was US\$0.49 million for 1H 2016 compared to US\$0.09 million for 1H 2015, an increase of US\$0.40 million (455.17%) from time deposits placed with banks.

Total expenses increased by US\$2.81 million (60.66%) to US\$7.44 million for 1H 2016 compared to US\$4.63 million for 1H 2015. Excluding the recovery of monies due from MF Global amounting to US\$1.14 million in 1H 2016 and US\$3.10 million in 1H 2015, total expenses increased by US\$0.85 million (11.00%) mainly attributable to higher information technology expenses, higher professional fees incurred for business development and credit insurance. The Company made a bad debt provision of US\$4.28 million in 2011 when MF Global went under bankruptcy proceedings and the total amount recovered so far was US\$4.24 million.

The share of profits from associates and joint venture increased by US\$10.73 million (46.99%) to US\$33.55 million for 1H 2016 compared to US\$22.82 million for 1H 2015, mainly due to higher share of profits from Pudong. The share of profits in Pudong was US\$29.61 million for 1H 2016 compared to US\$20.94 million for 1H 2015, an increase of US\$8.67 million (41.42%) mainly due to higher gross profit as a result of higher refuelling volume, higher profit margin due to the rebound in oil price in 1H 2016 partially offset by higher operating expenses.

Share of profits from OKYC for 1H 2016 was US\$2.50 million, an increase of US\$1.83 million (275.79%) compared to US\$0.67 million for 1H 2015 which was attributable mainly to higher operating profit from its tank storage leasing activities.

Share of profits from TSN-PEKCL for 1H 2016 was US\$1.81 million, an increase of US\$0.77 million (74.16%) compared to US\$1.04 million for 1H 2015 mainly due to higher pipeline transportation volume and other operating income.

The share of results in Xinyuan decreased by US\$0.32 million (72.48%) to US\$0.12 million for 1H 2016 compared to US\$0.44 million for 1H 2015, mainly due to the decline in gross profit resulted from lower sales volume.

The share of loss of US\$0.48 million from CNAF HKR in 1H 2016 was mainly due to the losses incurred from its refuelling activities as revenue generated from its refuelling volume was insufficient to offset the administrative

expense and finance cost. The share of loss of US\$0.25 million from CNAF HKR in 1H 2015 was mainly due to pre-operating expenses.

Income tax expense was US\$1.87 million for 1H 2016 compared to US\$1.30 million for 1H 2015, an increase of 43.58% 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 increased by US\$15.63 million (48.63%) to US\$47.77 million for 1H 2016 compared to US\$32.14 million for 1H 2015, mainly attributable to the increase in gross profit and higher share of results from associates. Earnings per share was 5.55 US cents for 1H 2016 compared to 3.74 US cents for 1H 2015.

Statement of Financial Position

The Group's current assets stood at US\$1,380.88 million as at 30 June 2016 compared to US\$564.25 million as at 31 December 2015. The increase of US\$816.63 million in current assets resulted mainly from:

- (i) an increase of US\$69.22 million in inventories held for trading;
- (ii) an increase of US\$706.53 million in trade and other receivables to US\$1,043.45 million as at 30 June 2016 from US\$336.92 million as at 31 December 2015 mainly due to higher working capital requirements in trade financing; and
- (iii) an increase of US\$40.88 million in cash and cash equivalents which was mainly attributable to the aggregate cash inflow of US\$41.09 million generated from operating, investing and financing activities.

Non-current assets stood at US\$309.61 million as at 30 June 2016, compared to US\$281.26 million as at 31 December 2015. The increase of US\$28.35 million was mainly attributable to the share of profits in associates of US\$33.55 million partially offset by the decrease in foreign currency translation reserve of US\$4.24 million.

Current liabilities comprised trade and other payables, bank borrowings and tax payables, increased by US\$819.35 million to US\$1,066.06 million as at 30 June 2016 compared to US\$246.71 million as at 31 December 2015, mainly due to higher working capital requirements in trade financing.

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\$616.92 million as at 30 June 2016, or 71.72 US cents per share, compared to US\$592.64 million as at 31 December 2015 or 68.90 US cents per share.

Consolidated Statement of Cash Flows

2Q 2016 v 2Q 2015

The net cash used in operating activities was US\$39.22 million in 2Q 2016 compared to US\$1.20 million in 2Q 2015, attributable mainly to higher working capital requirements for trading activities.

Cash flows generated from investing activities amounted to US\$0.34 million in 2Q 2016, compared to cash flows used in investing activities of US\$0.07 million in 2Q 2015, mainly attributable to higher interest income and dividend received from an associate in 2Q 2016 compared to relatively higher cash used for the purchase of office equipment and IT software in 2Q 2015.

Cash flows generated from financing activities was US\$22.44 million in 2Q 2016 compared to cash flows used in financing activities of US\$7.81 million in 2Q 2015, mainly attributable to higher proceeds from bank borrowings in 2Q 2016 after deducting cash used for dividend payout.

1H 2016 v 1H 2015

The net cash generated from operating activities was US\$18.25 million in 1H 2016 compared to US\$15.66 million generated in 1H 2015 mainly due to higher profits from trading activities.

Cash flows generated from investing activities amounted to US\$0.41 million in 1H 2016 compared to cash flows used in investing activities of US\$0.03 million in 1H 2015 mainly due to higher interest income and dividend received from an associate in 1H 2016.

Cash flows generated from financing activities was US\$22.44 million in 1H 2016 compared to cash flows used in financing activities of US\$7.89 million in 1H 2015, mainly attributable to higher proceeds from bank borrowings after deducting cash used for 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.

Prices for Crude Oil rebounded in the first half of the year and after touching a 2016 high of nearly US\$53 a barrel, has been fluctuating. Fueled by supply outages from Canada to Nigeria that, for a time, created the perception that a two-year-old supply glut might be easing, supplies are returning, boosting output within and outside OPEC. Less clear a position than a year ago when the oil market had been clearly trending downwards, the second half could be more difficult for oil trading, as concerns about supply and economic demand and unsure economic outlook after Britain's exit from the European Union could, among other factors cause more volatility in the oil market.

Notwithstanding the uncertainties in the oil market, CAO continues to maintain its strategic drive along with the rapid growth in China's civil aviation industry and the continued growth of the global aviation industry; to further expand its aviation marketing business outside of mainland China, diversify its trading business activities through building a global jet fuel supply and trading network and expanding its earnings base through trading in other oil products. CAO will continue to seek opportunities for expansion in its investments in synergetic and strategic oil-related assets and synergetic businesses. The Group will also continue its focus on pursuing its long term strategy to ensure a steady and sustainable growth and development of its businesses.

- 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 2016.

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 2016 to 30 June 2016.

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)	Aggregate value of interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	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)	Aggregate value of interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	2Q 2016 US\$'000	2Q 2016 US\$'000	1H 2016 US\$'000	1H 2016 US\$'000
Sales revenue from related corporations	0	501,525	0	848,824
Purchases from related corporations	0	431,675	0	763,788
Purchases from related corporation of a corporate shareholder	0	105,287	0	130,259
Services rendered from related corporation of a corporate shareholder	0	125	0	245
Supply chain services rendered from related corporation	0	1,457	0	1,669
Interest income earned from related corporations	0	81	0	176
Transportation revenue earned by associate from related corporations	0	2,717	0	5,096
Loan granted to related corporation	0	1,534	0	4,704
Loan granted to joint venture	0	2,000	0	3,600
Principal deposited with interested person	0	2,352	0	2,352

14. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Board of Directors of the Company hereby confirms that the undertakings from all its Directors and Executive Officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual have been procured.

BY ORDER OF THE BOARD

Doreen Nah
Company Secretary
28 July 2016