



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)
Second Quarter/Half Year Financial Statement For The Period Ended 30 June 2011

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 2011	2Q 2010	Variance		1H 2011	1H 2010	Variance	
	US\$'000	US\$'000	+/-	%	US\$'000	US\$'000	+/-	%
Revenue (Note 1)	2,469,392	1,444,421	71.0%		4,453,521	2,430,384	83.2%	
Cost of sales	(2,461,221)	(1,434,119)	71.6%		(4,433,602)	(2,412,611)	83.8%	
Gross Profit	8,171	10,302	-20.7%		19,919	17,773	12.1%	
Other operating income (Note 2)	143	11	NM		381	97	292.8%	
Administrative expenses	(1,671)	(2,076)	-19.5%		(3,159)	(4,119)	-23.3%	
Other operating expenses	(118)	(174)	-32.2%		(366)	(126)	190.5%	
Finance costs	(660)	(393)	67.9%		(1,147)	(769)	49.2%	
Operating Profit	5,865	7,670	-23.5%		15,628	12,856	21.6%	
Share of results of associates (net of tax) (Note 3)	14,042	10,408	34.9%		26,499	18,095	46.4%	
Profit before income tax	19,907	18,078	10.1%		42,127	30,951	36.1%	
Income tax expense (Note 4)	(674)	-	-		(1,434)	-	-	
PROFIT FOR THE PERIOD	19,233	18,078	6.4%		40,693	30,951	31.5%	
Attributable to:								
Equity holders of the Company	19,233	18,078	6.4%		40,693	30,951	31.5%	

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 2011	2Q 2010	Variance	1H 2011	1H 2010	Variance
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
PROFIT FOR THE PERIOD	19,233	18,078	6.4%	40,693	30,951	31.5%
Other comprehensive income:						
Exchange differences on translation of the financial statements of foreign associates	1,112	26	NM	2,039	828	146.3%
Other comprehensive loss for the period, net of tax	1,112	26	NM	2,039	828	146.3%
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	20,345	18,104	12.4%	42,732	31,779	34.5%
Total comprehensive income attributable to:						
Owners of the parent	20,345	18,104	12.4%	42,732	31,779	34.5%

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

	Group			Group		
	2Q 2011	2Q 2010	Var	1H 2011	1H 2010	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Depreciation of property, plant and equipment	(120)	(89)	34.8%	(239)	(177)	35.0%
Amortisation of intangible assets	(12)	(31)	-61.3%	(24)	(61)	-60.7%
Interest expense	(201)	-	NM	(213)	-	NM
Bank interest income	36	132	-72.7%	95	206	-53.9%
Foreign exchange gain/(loss)	107	(121)	NM	286	(142)	NM
Write off of property, plant and equipment	-	(3)	NM	-	(3)	NM
Gain on disposal of property, plant and equipment	-	-	-	-	33	NM

Note 1: Revenue

	Group			Group		
	2Q 2011	2Q 2010	Var	1H 2011	1H 2010	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Revenue from middle distillates	2,368,737	1,403,927	68.7%	4,316,176	2,341,343	84.3%
Revenue from other oil products	100,655	40,494	148.6%	137,345	89,041	54.2%
	2,469,392	1,444,421	71.0%	4,453,521	2,430,384	83.2%

Note 2: Other operating income

	Group			Group		
	2Q 2011 US\$'000	2Q 2010 US\$'000	Var + / - %	1H 2011 US\$'000	1H 2010 US\$'000	Var + / - %
Bank interest income	36	132	-72.7%	95	206	-53.9%
Foreign exchange gain/(loss)	107	(121)	NM	286	(142)	NM
Gain on disposal of property, plant and equipment	-	-	-	-	33	NM
	143	11	NM	381	97	292.8%

Note 3: Share of results of associates

	Group			Group		
	2Q 2011 US\$'000	2Q 2010 US\$'000	Var + / - %	1H 2011 US\$'000	1H 2010 US\$'000	Var + / - %
Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd (“Pudong”)	13,293	9,745	36.4%	25,209	17,212	46.5%
China Aviation Oil Xinyuan Petrochemicals Co. Ltd (“Xinyuan”)	409	109	275.2%	634	222	185.6%
China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd (“TSN-PEKCL”)	340	554	-38.6%	656	661	-0.8%
	14,042	10,408	34.9%	26,499	18,095	46.4%

Note 4: Income tax expense

The Company recorded tax expense of US\$1.43 million for 1H 2011 was mainly 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 upon remittance to Singapore in the future.

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.

Statements of Financial Position

	Group		Company	
	As at 30 Jun 11 US\$'000	As at 31 Dec 10 US\$'000	As at 30 Jun 11 US\$'000	As at 31 Dec 10 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	8,607	8,777	8,607	8,777
Intangible assets	80	104	80	104
Associates	199,153	191,175	81,236	81,236
Deferred tax assets	3,980	3,980	3,980	3,980
	211,820	204,036	93,903	94,097
Current assets				
Inventories (Note 1)	79,224	154,230	79,224	154,230
Trade and other receivables	884,084	529,584	884,084	529,584
Cash and cash equivalents	175,395	57,988	175,386	57,980
	1,138,703	741,802	1,138,694	741,794
Total assets	1,350,523	945,838	1,232,597	835,891
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	215,573	215,573	215,573	215,573
Retained earnings	137,569	108,435	52,021	28,480
Other components of equity	21,633	21,223	(5,482)	(3,906)
Total equity	374,775	345,231	262,112	240,147
Non-current liabilities				
Deferred tax liabilities	5,259	4,858	-	-
Current liabilities				
Trade and other payables	849,978	565,225	849,974	565,220
Loans and borrowings	120,511	30,524	120,511	30,524
	970,489	595,749	970,485	595,744
Total liabilities	975,748	600,607	970,485	595,744
Total equity and liabilities	1,350,523	945,838	1,232,597	835,891

Note 1: Inventories were valued at fair value as at 30 June 2011 with the resulting changes in fair value being recognised in the Income Statement. Changes in fair value of financial derivatives contracted to hedge these inventories were recognised in the Income Statement in accordance with FRS 39.

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 2011		As at 31 Dec 2010	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
0	120,511	0	30,524

Amount repayable after one year

As at 30 Jun 2011		As at 31 Dec 2010	
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 2011	2Q 2010	1H 2011	1H 2010
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Profit for the period	19,233	18,078	40,693	30,951
Adjustments for items not involving outlay of funds:-				
Depreciation of property, plant and equipment	120	89	239	177
Amortisation of intangible assets	12	31	24	61
Gain on disposal of property, plant and equipment	-	-	-	(33)
Write off of property, plant and equipment	-	3	-	3
Share of results of associates (net of tax)	(14,042)	(10,408)	(26,499)	(18,095)
Interest income	(36)	(132)	(95)	(206)
Interest expense	201	-	213	-
Tax expense	674	-	1,434	-
Unrealised exchange differences	(144)	21	(135)	27
	<u>6,018</u>	<u>7,682</u>	<u>15,874</u>	<u>12,885</u>
Changes in working capital				
Inventories	30,742	(12,250)	75,006	11,215
Trade and other receivables	(135,399)	(209,382)	(337,081)	(92,421)
Trade and other payables	68,120	150,080	284,755	17,246
	<u>(30,519)</u>	<u>(63,870)</u>	<u>38,554</u>	<u>(51,075)</u>
Tax paid	(117)	-	(117)	-
Cash flows (used in)/from operating activities	<u>(30,636)</u>	<u>(63,870)</u>	<u>38,437</u>	<u>(51,075)</u>
Investing activities				
Interest received	21	133	89	218
Purchase of property, plant and equipment	(45)	-	(125)	(254)
Proceeds from sale of property, plant and equipment	-	-	-	85
Dividends received from associate	2,231	-	2,231	-
Cash flows from investing activities	<u>2,207</u>	<u>133</u>	<u>2,195</u>	<u>49</u>
Financing activities				
Purchase of treasury shares	(105)	-	(1,576)	(3,185)
Interest paid	(147)	-	(159)	-
Proceeds from loans and bank borrowings	180,511	-	196,155	-
Repayment of loans and bank borrowings	(75,644)	-	(106,168)	-
Dividend paid	(11,612)	(10,183)	(11,612)	(10,183)
Cash flows from/(used in) financing activities	<u>93,003</u>	<u>(10,183)</u>	<u>76,640</u>	<u>(13,368)</u>
Net increase/(decrease) in cash and cash equivalents	64,574	(73,920)	117,272	(64,394)
Cash and cash equivalents at beginning of the period	110,677	191,712	57,988	182,192
Net effect of exchange rate fluctuations on cash held	144	(21)	135	(27)
Cash and cash equivalents at end of the period	<u>175,395</u>	<u>117,771</u>	<u>175,395</u>	<u>117,771</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	Foreign currency translation reserve US\$'000	Statutory reserve US\$'000	Total equity US\$'000
THE GROUP						
As at 1 January 2010	215,573	75,331	(721)	12,175	7,377	309,735
Total comprehensive income for the period	-	30,951	-	828	-	31,779
Dividend paid in respect of 2009	-	(10,183)	-	-	-	(10,183)
Purchase of treasury shares	-	-	(3,185)	-	-	(3,185)
As at 30 June 2010	215,573	96,099	(3,906)	13,003	7,377	328,146
As at 1 January 2011	215,573	108,435	(3,906)	17,303	7,826	345,231
Total comprehensive income for the period	-	40,693	-	2,039	-	42,732
Dividend paid in respect of 2010	-	(11,612)	-	-	-	(11,612)
Transfer from statutory reserve to retained earnings	-	53	-	-	(53)	-
Purchase of treasury shares	-	-	(1,576)	-	-	(1,576)
As at 30 June 2011	215,573	137,569	(5,482)	19,342	7,773	374,775

Statement of Changes in Equity

	Share capital US\$'000	Retained earnings US\$'000	Treasury shares US\$'000	Total equity US\$'000
THE COMPANY				
As at 1 January 2010	215,573	25,175	(721)	240,027
Total comprehensive income for the period	-	12,856	-	12,856
Dividend paid in respect of 2009	-	(10,183)	-	(10,183)
Purchase of treasury shares	-	-	(3,185)	(3,185)
As at 30 June 2010	215,573	27,848	(3,906)	239,515
As at 1 January 2011	215,573	28,480	(3,906)	240,147
Total comprehensive income for the period	-	35,153	-	35,153
Dividend paid in respect of 2010	-	(11,612)	-	(11,612)
Purchase of treasury shares	-	-	(1,576)	(1,576)
As at 30 June 2011	215,573	52,021	(5,482)	262,112

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

As at 30 June 2011, the number of ordinary shares of the Company in issue was 716,820,537 (31 December 2010: 718,152,537) excluding 6,000,000 (31 December 2010: 4,668,000) which were held as treasury shares. The total issued and paid up share capital was US\$215.57 million (2010: US\$215.57 million).

Employee share option plans

The Company has not granted any share options since the establishment of the China Aviation Oil Share Option Scheme in 2001.

Treasury shares

On 11 April 2011, the Company purchased a total of 93,000 of its own ordinary shares pursuant to the Share Purchase Mandate renewed at the Extraordinary General Meeting of the Company held on 23 April 2010. The shares were purchased by way of market acquisitions at prices ranging from S\$1.41 to S\$1.42 per share. The share purchases were made out of the Company's capital and were held as treasury shares.

As at 30 June 2011, a total of 6,000,000 ordinary shares (31 December 2010: 4,668,000 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 2011	2Q 2010	1H 2011	1H 2010
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	(5,907,000)	(4,668,000)	(4,668,000)	(921,000)
Additions during the period	(93,000)	-	(1,332,000)	(3,747,000)
Balance at end of period	(6,000,000)	(4,668,000)	(6,000,000)	(4,668,000)
Total	716,820,537	718,152,537	716,820,537	718,152,537

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 2010.

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 2010 and on 1 January 2011. 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 2011	2Q 2010	1H 2011	1H 2010
Earnings per ordinary share for the period after deducting any provision for				
(a) Based on weighted average number of ordinary share on issue; and	2.69 US cents	2.52 US cents	5.68 US cents	4.31 US cents
(b) On a fully diluted basis	2.69 US cents	2.52 US cents	5.68 US cents	4.31 US cents
Weighted average number of shares ('000)	716,831	718,153	717,057	718,953

Basic earnings per share and earnings per share on a fully diluted basis for the financial quarter ended and six months ended 30 June 2011 were computed based on net profit attributable to owners of the parent of US\$19,233,000 (2010: US\$18,078,000) and US\$40,693,000 (2010: US\$30,951,000) and weighted average share capital of 716,830,756 (2010: 718,152,537) and 717,057,271 (2010: 718,952,825) ordinary shares.

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

- 7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:
- current financial period reported on; and
 - immediately preceding financial year.

	Group		Company	
	30 Jun 2011	31 Dec 2010	30 Jun 2011	31 Dec 2010
Net asset value per ordinary share based on issued share capital at the end of the period reported on (US cents)	52.28	48.07	36.57	33.44
Number of ordinary shares issued ('000)	716,821	718,153	716,821	718,153

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 2011 and 31 December 2010 (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 China Aviation Oil (Singapore) Corporation Ltd (“CAO” or “Group”) are those relating to the supply and trading of jet fuel, other oil-trading activities and investment holding. Correspondingly, income is derived from (i) jet fuel supply and trading (ii) trading in other oil products and (iii) strategic investments in oil related businesses.

We are the largest purchaser of jet fuel in the Asia Pacific region and the key supplier of imported jet fuel to the People’s Republic of China’s (“PRC”) civil aviation industry. 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”) and China Aviation Oil Xinyuan Petrochemicals Co. Ltd (“Xinyuan”).

Consolidated Statement of Comprehensive Income

2nd Qtr 2011 v 2nd Qtr 2010

The total supply and trading volume for jet fuel and other oil products increased by 0.35 million tonnes (17.41%) to 2.36 million tonnes for the second quarter ended 30 June 2011 (“2Q 2011”) compared to 2.01 million tonnes for the second quarter ended 30 June 2010 (“2Q 2010”). The volume of jet fuel supply and trading increased by 0.29 million tonnes (15.18%) to 2.20 million tonnes for 2Q 2011 compared to 1.91 million tonnes for 2Q 2010, mainly due to higher trading activities. The trading volume of other oil products increased by 0.06 million tonnes (60.00%) to 0.16 million tonnes for 2Q 2011 compared to 0.10 million tonnes for 2Q 2010.

Total revenue increased by US\$1,024.97 million (70.96%) to US\$2,469.39 million for 2Q 2011 from US\$1,444.42 million for 2Q 2010. This was mainly attributable to higher volume of jet fuel supply and trading coupled with higher jet fuel prices in 2Q 2011, which averaged US\$133.35 per barrel (bbl) compared to an average of US\$91.39 per bbl in 2Q 2010. 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\$8.17 million for 2Q 2011, a decrease of 20.68% compared to US\$10.30 million for 2Q 2010. This was mainly due to higher cost of sales arising from increase in freight costs and storage fees associated with the increase in trading activities.

Other operating income was US\$0.14 million for 2Q 2011 compared to US\$0.01 million for 2Q 2010. This was mainly due to foreign exchange gain of US\$0.11 million in 2Q 2011 compared to foreign exchange loss of US\$0.12 million in 2Q 2010, which were due to revaluation differences resulting from the strengthening of the Singapore dollar against the US dollar.

Bank interest income of US\$0.03 million for 2Q 2011, which was derived from time deposits placed with banks, was lower by US\$0.10 million (72.73%) compared to US\$0.13 million for 2Q 2010 mainly due to lower deposits placed with banks.

Total expenses comprising administrative expenses, other operating expenses and finance costs decreased by US\$0.19 million (7.20%) to US\$2.45 million for 2Q 2011 compared to US\$2.64 million for 2Q 2010. The decrease in expenses was attributable to stringent control over operating expenses resulting mainly in lower information technology expenses and the reversal of an over-provision in staff costs, partially offset by increase in finance cost relating to bank charges for the issuance of Letter of Credits and interest expense on bank borrowings as a result of increased business activities.

The share of profits from associates was US\$14.04 million for 2Q 2011 compared to US\$10.41 million for 2Q 2010, an increase of 34.92%. This was mainly attributable to the share of profits from Pudong of US\$13.29 million for 2Q 2011 compared to US\$9.75 million for 2Q 2010, mainly due to higher revenue resulting from higher refuelling volumes and lower expenses.

Share of profits from TSN-PEKCL for 2Q 2011 was US\$0.34 million compared to US\$0.55 million for 2Q 2010, a decrease of 38.63%. The share of results in Xinyuan increased by US\$0.30 million (275.23%) to US\$0.41 million for 2Q 2011 compared to US\$0.11 million for 2Q 2010.

Tax expense of US\$0.67 million for 2Q 2011 was 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 upon remittance to Singapore in the future.

The Group's net profit for 2Q 2011 was US\$19.23 million compared to US\$18.08 million for 2Q 2010, an increase of US\$1.15 million (6.36%). Earnings per share was 2.69 US cents for 2Q 2011 compared to 2.52 US cents for 2Q 2010.

2nd Qtr 2011 v 1st Qtr 2011

The total supply and trading volume for jet fuel and other oil products increased by 0.17 million tonnes (7.76%) to 2.36 million tonnes for 2Q 2011 compared to 2.19 million tonnes for the first quarter ended 31 March 2011 ("1Q 2011"), mainly due to higher import volume of jet fuel supply to the PRC and higher other oil products trading activities.

Total revenue increased by US\$485.26 million (24.46%) to US\$2,469.39 million for 2Q 2011 from US\$1,984.13 million for 1Q 2011. This was mainly attributable to higher volume of jet fuel supply and trading and higher jet fuel prices which averaged at US\$133.35 per bbl for 2Q 2011 compared to an average price of US\$114.19 per bbl for 1Q 2011.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$8.17 million for 2Q 2011, a decrease of 30.47% compared to US\$11.75 million for 1Q 2011. This was mainly due to higher cost of sales arising from increase in freight costs and storage fees associated with the increase in trading activities.

Other operating income was US\$0.14 million for 2Q 2011 compared to US\$0.24 million for 1Q 2011, a decrease of 41.67% owing to the lower interest income from time deposits placed with banks and lower foreign exchange gain from revaluation difference resulting from the strengthening of the Singapore dollar against the US dollar.

Total expenses increased by US\$0.23 million (10.36%) to US\$2.45 million for 2Q 2011, compared to US\$2.22 million for 1Q 2011. This was mainly attributable to higher headcount of 55 in 2Q 2011 compared to 52 in 1Q 2011, higher bank charges relating to issuance of Letters of Credit, higher interest expenses arising from

drawdown of bank borrowings to support trading activities and higher meeting expenses as a result of increased business activities, etc.

The share of profits from associates was US\$14.04 million for 2Q 2011 compared to US\$12.46 million for 1Q 2011, an increase of 12.68%. This was mainly attributable to the share of profits in Pudong of US\$13.29 million for 2Q 2011 compared to US\$11.92 million for 1Q 2011, mainly due to higher revenue resulting from higher refuelling volumes and lower expenses.

The share of results in TSN-PEKCL was US\$0.34 million for 2Q 2011 compared to US\$0.32 million for 1Q 2011, increase of US\$0.02 million. The share of results in Xinyuan increased by US\$0.19 million (86.36%) to US\$0.41 million for 2Q 2011 compared to US\$0.22 million for 1Q 2011.

The Group's net profit for 2Q 2011 was US\$19.23 million compared to US\$21.46 million for 1Q 2011, a decrease of US\$2.23 million (10.39%). Earnings per share was 2.69 US cents for 2Q 2011 compared to 2.99 US cents for 1Q 2011.

1H 2011 v 1H 2010

The total supply and trading volume for jet fuel and other oil products increased by 1.08 million tonnes (31.12%) to 4.55 million tonnes for the first half year ended 30 June 2011 ("1H 2011") compared to 3.47 million tonnes for the first half year ended 30 June 2010 ("1H 2010"). The volume of jet fuel supply and trading increased by 1.03 million tonnes (31.69%) to 4.28 million tonnes for 1H 2011 compared to 3.25 million tonnes for 1H 2010. The trading volume of other oil products increased by 0.05 million tonnes (22.73%) to 0.27 million tonnes for 1H 2011 compared to 0.22 million tonnes for 1H 2010.

Total revenue increased by US\$2,023.14 million (83.24%) to US\$4,453.52 million for 1H 2011 from US\$2,430.38 million for 1H 2010. This was mainly attributable to higher volume of jet fuel supply and trading coupled with higher jet fuel prices which averaged at US\$124.03 per bbl for 1H 2011 compared to an average price of US\$89.13 per bbl for 1H 2010. The increase in total revenue was also partly due to revenue generated from petrochemical and trading of other oil products. 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\$19.92 million for 1H 2011, an increase of 12.10% compared to US\$17.77 million for 1H 2010. This was mainly due to higher gains from oil trading activities.

Other operating income was US\$0.38 million for 1H 2010 compared to US\$0.10 million for 1H 2010. This was mainly due to foreign exchange gain of US\$0.29 million in 1H 2011 compared to foreign exchange loss of US\$0.14 million in 1H 2010, which were due to revaluation differences resulting from the strengthening of the Singapore dollar against the US dollar.

Bank interest income of US\$0.10 million for 1H 2011, which was derived from time deposits placed with banks, was lower by US\$0.11 million (53.88%) compared to US\$0.21 million for 1H 2010 mainly due to lower time deposits placed with banks.

Total expenses were US\$4.67 million for 1H 2011, decreased by 6.79% compared to US\$5.01 million for 1H 2010. The decrease in expenses was attributable to stringent control over operating expenses resulting mainly in lower information technology expenses and the reversal of an over-provision in staff costs, partially offset by the increase in finance costs relating to bank charges for the issuance of Letter of Credits and interest expense on bank borrowings and the increase in professional fees and meeting expenses as a result of increased business activities. Other operating expenses increased by 190.5% year-on-year to US\$0.37 million mainly due to higher professional fees incurred for evaluation of new business.

The share of profits from associates was US\$26.50 million for 1H 2011 compared to US\$18.10 million for 1H 2010, an increase of 46.41%. This was mainly attributable to the share of profits in Pudong of US\$25.21 million for 1H 2011 compared to US\$17.21 million for 1H 2010, mainly due to higher revenue resulting from higher refuelling volumes and lower expenses.

Share of profits from TSN-PEKCL was level at US\$0.66 million for the two periods in comparison. The share of results in Xinyuan increased by US\$0.41 million (185.59%) to US\$0.63 million for 1H 2011 compared to US\$0.22 million for 1H 2010, mainly due to improved revenue from storage rent.

Tax expense of US\$1.43 million for 1H 2011 was attributable to the recognition of deferred tax liabilities on the Company's share of undistributed retained earnings from associates.

The Group's net profit for 1H 2011 was US\$40.69 million compared to US\$30.95 million for 1H 2010, an increase of US\$9.74 million (31.47%). Earnings per share was 5.68 US cents for 1H 2011 compared to 4.31 US cents for 1H 2010.

Statement of Financial Position

The Group's current assets stood at US\$1,138.70 million as at 30 June 2011 compared to US\$741.80 million as at 31 December 2010. The increase of US\$396.90 million in current assets resulted mainly from:

- (i) a decrease of US\$75.01 million in inventories, due to trading activities;
- (ii) an increase of US\$354.50 million in trade and other receivables to US\$884.08 million as at 30 June 2011 from US\$529.59 million as at 31 December 2010 due to higher sales revenue in June 2011 compared to December 2010 and dividend receivable amounting to US\$18.33 million; and
- (iii) an increase of US\$117.41 million in cash and cash equivalents which was mainly attributable to the cash inflow of US\$38.44 million from operating activities, cash inflow of US\$2.20 million from investing activities and cash inflow of US\$76.64 million from financing activities.

Non-current assets stood at US\$211.82 million as at 30 June 2011, compared to US\$204.04 million as at 31 December 2010. The increase of US\$7.78 million was mainly attributable to the share of profits in associates of US\$26.50 million for 1H 2011 less the dividend of US\$20.56 million distributed out of associates' retained earnings and the impact of foreign exchange translation of the financial statements of foreign associates.

Current liabilities made up of trade and other payables and bank borrowings, increased by US\$374.74 million to US\$970.49 million as at 30 June 2011 compared to US\$595.75 million as at 31 December 2010. This was mainly due to the higher cost of procurement in June 2011 owing to increase in volume and oil prices compared to December 2010 and bank borrowings for working capital purposes.

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 upon remittance to Singapore in the future.

The Group's net assets stood at US\$374.78 million as at 30 June 2011, or 52.28 US cents per share, compared to US\$345.23 million as at 31 December 2010 or 48.07 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 2011 less the dividend payout in May 2011.

Consolidated Statement of Cash Flows

2Q 2011 v 2Q 2010

Cash flows generated from operating activities before changes in working capital, was US\$6.02 million in 2Q 2011 compared to US\$7.68 million generated in 2Q 2010 mainly due to lower operating profits in 2Q 2011 as a result of increase in freight costs and storage fees associated with trading activities.

In 2Q 2011, changes in working capital items were as follows: (i) cash generated from inventories of US\$30.74 million; (ii) cash used in trade and other receivables of US\$135.40 million; and (iii) cash generated from trade and other payables of US\$68.12 million. The net cash used in operating activities was US\$30.64 million in 2Q 2011 compared to US\$63.87 million in 2Q 2010. This was due to the higher amount of timing difference in receipts from trade receivables and payments to trade suppliers.

Cash flows generated from investing activities amounted to US\$2.21 million in 2Q 2011, compared to US\$0.13 million in 2Q 2010, mainly attributable to the dividend income received from associates.

Cash flows generated from financing activities of US\$93.00 million in 2Q 2011 was mainly attributable to the proceeds of US\$180.51 million from bank borrowings partially offset by US\$75.64 million used in repayment of bank borrowings and US\$11.61 million used in dividend payout of two Singapore cents per share. Cash flow used

in financing activities of US\$10.18 million in 2Q 2010 was due to the dividend payout of two Singapore cents per share.

1H 2011 v 1H 2010

Cash flows generated from operating activities before changes in working capital, was US\$15.87 million in 1H 2011 compared to US\$12.89 million generated in 1H 2010 mainly due to higher operating profits in 1H 2011 as a result of higher trading activities.

In 1H 2010, changes in working capital items were as follows: (i) cash generated from inventories of US\$75.01 million; (ii) cash used in trade and other receivables of US\$337.08 million; and (iii) cash generated from trade and other payables of US\$284.76 million. The net cash generated from operating activities was US\$38.44 million in 1H 2011 compared to net cash used in operating activities of US\$51.08 million in 1H 2010. This was due to the higher amount of timing difference in receipts from trade receivables and payments to trade suppliers.

Cash flows generated from investing activities amounted to US\$2.20 million in 1H 2011 compared to US\$0.05 million in 1H 2010. The cash generated from investing activities in 1H 2011 was due to dividend of US\$2.23 million received from associates and interest receipts of US\$0.09 million from time deposits placed with banks partially offset by the cash of US\$0.12 million used in the purchase of property, plant and equipment. The cash generated from investing activities in 1H 2010 was due to the interest receipts of US\$0.22 million and the proceeds of US\$0.08 million from disposal of property, plant and equipment partially offset by the cash of US\$0.25 million used in the purchase of property, plant and equipment.

Cash flows generated from financing activities of US\$76.64 million in 1H 2011 was mainly attributable to the proceeds of US\$196.16 million from bank borrowings partially offset by US\$106.17 million used in repayment of bank borrowings and US\$11.61 million used in dividend payout. Cash flows used in financing activities of US\$13.37 million in 1H 2010 was due to the purchase of treasury shares of US\$3.19 million and dividend payout of US\$10.18 million.

- 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.

With economic woes in the United States, the widening of the eurozone sovereign debt crisis and concerns that monetary tightening measures may trigger an economic slowdown in China, the outlook for the global economy in the second half of 2011 remains uncertain. The volatility of oil prices and jet fuel demand in the Asia Pacific region bring both challenges and opportunities for our oil trading business. Further, we expect that total jet fuel demand in the PRC will increase in tandem with the robust growth of the civil aviation industry and jet fuel import demand in the PRC will remain stable, which will form a strong foundation for the Company as it expands its jet fuel trading activities. We are also proactively expanding our business into new markets. Barring unforeseen circumstances, the Group's net profit for full-year ending 31 December 2011 ("FY2011") is expected to be higher than FY2010.

- 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 2011.

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 2011 to 30 June 2011.

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 920)	Aggregate value of interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than US\$100,000)
	US\$'000	US\$'000
Sales revenue from related corporations	0	1,256,192
Sales revenue from related corporation of a corporate shareholder	0	668,171
Purchases from related corporation of a corporate shareholder	0	822,816
Loss from trading of derivative financial instrument with related corporation of a corporate shareholder	0	5,439
Supply chain services rendered from related corporation	0	1,337
Transportation revenue earned by associate from related corporations	0	4,190

BY ORDER OF THE BOARD

Doreen Nah
Company Secretary
4 August 2011