



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)
Second Quarter/Half Year Financial Statement For The Period Ended 30 June 2010

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 2010	2Q 2009	Variance	1H 2010	1H 2009	Variance
	US\$'000	US\$'000	+/- %	US\$'000	US\$'000	+/- %
Revenue (Note 1)	1,444,421	809,991	78.3%	2,430,384	1,465,592	65.8%
Cost of sales	(1,434,119)	(803,308)	78.5%	(2,412,611)	(1,448,755)	66.5%
Gross Profit	10,302	6,683	54.2%	17,773	16,837	5.6%
Other operating income (Note 2)	11	717	-98.5%	97	(900)	NM
Administrative expenses	(2,076)	(2,006)	3.5%	(4,119)	(3,632)	13.4%
Other operating expenses	(174)	(184)	-5.4%	(126)	(261)	-51.7%
Finance costs	(393)	(176)	123.3%	(769)	(295)	160.7%
Operating Profit	7,670	5,034	52.4%	12,856	11,749	9.4%
Share of results of associates (net of tax) (Note 3)	10,408	6,808	52.9%	18,095	4,203	330.5%
Profit before income tax	18,078	11,842	52.7%	30,951	15,952	94.0%
Income tax expense (Note 4)	-	-	-	-	-	-
PROFIT FOR THE PERIOD	18,078	11,842	52.7%	30,951	15,952	94.0%
Attributable to:						
Equity holders of the Company	18,078	11,842	52.7%	30,951	15,952	94.0%

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 2010	2Q 2009	Variance	1H 2010	1H 2009	Variance
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
PROFIT FOR THE PERIOD	18,078	11,842	52.7%	30,951	15,952	94.0%
Other comprehensive (loss)/income:						
Exchange differences on translation of the financial statements of foreign associates	26	(6)	NM	828	(565)	NM
Other comprehensive loss for the period, net of tax	26	(6)	NM	828	(565)	NM
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	18,104	11,836	53.0%	31,779	15,387	106.5%
Total comprehensive income attributable to:						
Owners of the parent	18,104	11,836	53.0%	31,779	15,387	106.5%

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

	Group			Group		
	2Q 2010	2Q 2009	Var	1H 2010	1H 2009	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Depreciation of property, plant and equipment	(89)	(86)	3.5%	(177)	(170)	4.1%
Amortisation of intangible assets	(31)	(29)	6.9%	(61)	(56)	8.9%
Bank interest income	132	260	-49.2%	206	523	-60.6%
Foreign exchange (loss)/gain	(121)	457	NM	(142)	(1,423)	-90.0%
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 2010	2Q 2009	Var	1H 2010	1H 2009	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Revenue from middle distillates	1,403,927	777,064	80.7%	2,341,343	1,424,163	64.4%
Revenue from other oil products	40,494	32,927	23.0%	89,041	41,429	114.9%
	1,444,421	809,991	78.3%	2,430,384	1,465,592	65.8%

Note 2: Other operating income

	Group			Group		
	2Q 2010 US\$'000	2Q 2009 US\$'000	Var + / - %	1H 2010 US\$'000	1H 2009 US\$'000	Var + / - %
Bank interest income	132	260	-49.2%	206	523	-60.6%
Foreign exchange (loss)/gain	(121)	457	NM	(142)	(1,423)	-90.0%
Gain on disposal of property, plant and equipment	-	-	-	33	-	NM
	11	717	-98.5%	97	(900)	NM

Note 3: Share of results of associates

	Group			Group		
	2Q 2010 US\$'000	2Q 2009 US\$'000	Var + / - %	1H 2010 US\$'000	1H 2009 US\$'000	Var + / - %
Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong")	9,745	6,207	57.0%	17,212	3,304	420.9%
China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL")	554	553	0.2%	661	814	-18.8%
China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan")	109	48	127.1%	222	85	161.2%
	10,408	6,808	52.9%	18,095	4,203	330.5%

Note 4: Income tax expense

The Company has sufficient tax losses brought forward from 2004 to offset current year taxable income.

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 2010 US\$'000	As at 31 Dec 2009 US\$'000	As at 30 Jun 2010 US\$'000	As at 31 Dec 2009 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	8,083	8,061	8,083	8,061
Intangible assets	39	100	39	100
Associates	169,857	150,934	81,236	81,236
	<u>177,979</u>	<u>159,095</u>	<u>89,358</u>	<u>89,397</u>
Current assets				
Inventories	26,391	37,606	26,391	37,606
Trade and other receivables	472,242	379,833	472,242	379,833
Cash and cash equivalents	117,771	182,192	117,761	182,178
	<u>616,404</u>	<u>599,631</u>	<u>616,394</u>	<u>599,617</u>
Total assets	<u>794,383</u>	<u>758,726</u>	<u>705,752</u>	<u>689,014</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	215,573	215,573	215,573	215,573
Retained earnings	96,099	75,331	27,848	25,175
Other components of equity	16,474	18,831	(3,906)	(721)
Total equity	<u>328,146</u>	<u>309,735</u>	<u>239,515</u>	<u>240,027</u>
Current liabilities				
Trade and other payables	466,237	448,991	466,237	448,987
Total liabilities	<u>466,237</u>	<u>448,991</u>	<u>466,237</u>	<u>448,987</u>
Total equity and liabilities	<u>794,383</u>	<u>758,726</u>	<u>705,752</u>	<u>689,014</u>

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 2010		As at 31 Dec 2009	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
0	0	0	0

Amount repayable after one year

As at 30 Jun 2010		As at 31 Dec 2009	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
0	0	0	0

The Company does not have any interest-bearing liabilities or obligations as at 30 June 2010 and as at 31 December 2009.

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 2010	2Q 2009	1H 2010	1H 2009
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Profit for the period	18,078	11,842	30,951	15,952
Adjustments for items not involving outlay of funds:-				
Depreciation of property, plant and equipment	89	86	177	170
Amortisation of intangible assets	31	29	61	56
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)	(10,408)	(6,808)	(18,095)	(4,203)
Interest income	(132)	(260)	(206)	(523)
Unrealised exchange differences	21	(787)	27	73
	<u>7,682</u>	<u>4,102</u>	<u>12,885</u>	<u>11,525</u>
Changes in working capital				
Inventories	(12,250)	-	11,215	-
Trade and other receivables	(209,382)	(129,387)	(92,421)	(145,371)
Trade and other payables	150,080	88,924	17,246	131,084
Cash flows from operating activities	<u>(63,870)</u>	<u>(36,361)</u>	<u>(51,075)</u>	<u>(2,762)</u>
Investing activities				
Interest received	133	246	218	600
Purchase of property, plant and equipment	-	(2)	(254)	(69)
Purchase of intangible assets	-	-	-	(23)
Proceeds from sale of property, plant and equipment	-	-	85	-
Acquisition of associate	-	-	-	(45,325)
Dividends received from associate	-	-	-	31,090
Cash flows from investing activities	<u>133</u>	<u>244</u>	<u>49</u>	<u>(13,727)</u>
Financing activities				
Purchase of treasury shares	-	-	(3,185)	-
Dividend paid	(10,183)	(9,874)	(10,183)	(9,874)
Cash flows from financing activities	<u>(10,183)</u>	<u>(9,874)</u>	<u>(13,368)</u>	<u>(9,874)</u>
Net decrease in cash and cash equivalents	<u>(73,920)</u>	<u>(45,991)</u>	<u>(64,394)</u>	<u>(26,363)</u>
Cash and cash equivalents at beginning of the period	191,712	171,870	182,192	153,102
Net effect of exchange rate fluctuations on cash held	(21)	787	(27)	(73)
Cash and cash equivalents at end of the period	<u>117,771</u>	<u>126,666</u>	<u>117,771</u>	<u>126,666</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 2009	215,573	40,350	-	12,744	7,033	275,700
Total comprehensive income/(expense) for the period	-	15,952	-	(565)	-	15,387
Dividend paid in respect of 2008	-	(9,874)	-	-	-	(9,874)
As at 30 June 2009	215,573	46,428	-	12,179	7,033	281,213
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

	Share capital US\$'000	Retained earnings US\$'000	Treasury shares US\$'000	Total equity US\$'000
THE COMPANY				
As at 1 January 2009	215,573	14,016	-	229,589
Total comprehensive income for the period	-	11,749	-	11,749
Dividend paid in respect of 2008	-	(9,874)	-	(9,874)
As at 30 June 2009	215,573	15,891	-	231,464
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

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 2010, the number of ordinary shares of the Company in issue was 718,152,537 (31 December 2009: 721,899,537) excluding 4,668,000 (31 December 2009: 921,000) which were held as treasury shares. The total issued and paid up share capital was 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

During the quarter ended 30 June 2010, 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 23 April 2010.

As at 30 June 2010, a total of 4,668,000 ordinary shares (31 December 2009: 921,000 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 2010	2Q 2009	1H 2010	1H 2009
Issued ordinary shares				
Balance at beginning/end of period	718,152,537	722,820,537	722,820,537	722,820,537
Treasury shares				
Balance at beginning of period	-	-	(921,000)	-
Additions during the period	-	-	(3,747,000)	-
Balance at end of period	-	-	(4,668,000)	-
Total	718,152,537	722,820,537	718,152,537	722,820,537

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 2009.

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 on or after 1 January 2010. The adoption of the new and revised FRS does not have a 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 2010	2Q 2009	1H 2010	1H 2009
Earnings per ordinary share for the period after deducting any provision for				
(a) Based on weighted average number of ordinary share on issue; and	2.52 US cents	1.64 US cents	4.31 US cents	2.21 US cents
(b) On a fully diluted basis	2.52 US cents	1.64 US cents	4.31 US cents	2.21 US cents
Weighted average number of shares ('000)	718,153	722,821	718,953	722,821

Basic earnings per share and earnings per share on a fully diluted basis for the financial quarter ended and six months ended 30 June 2010 were computed based on net profit attributable to owners of the parent of US\$18,078,000 (2009: US\$11,842,000) and US\$30,951,000 (2009: US\$15,952,000) and weighted average share capital of 718,152,537 (2009: 722,820,537) and 718,952,825 (2009: 722,820,537) 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 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
Net asset value per ordinary share based on issued share capital at the end of the period reported on (US cents)	45.69	42.91	33.35	33.25
Number of ordinary shares issued ('000)	718,153	721,900	718,153	721,900

Net asset value per ordinary share is determined based on net asset value attributable to owners of the parent and the number of shares in issue of the Company as at 30 June 2010 and 31 December 2009 (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 2010 v 2nd Qtr 2009

The total supply and trading volume for jet fuel and other oil products increased by 0.46 million tonnes (29.68%) to 2.01 million tonnes for the second quarter ended 30 June 2010 (“2Q 2010”) compared to 1.55 million tonnes for the second quarter ended 30 June 2009 (“2Q 2009”). The volume of jet fuel supply and trading increased by 0.41 million tonnes (27.33%) to 1.91 million tonnes for 2Q 2010 compared to 1.50 million tonnes for 2Q 2009. The volume for trading of fuel oil and gas oil which commenced in 3Q 2009, were 0.03 million tonnes and 0.04 million tonnes for 2Q 2010, respectively. The volume for petrochemical trading activities (“Petrochem”) was 0.03 million tonnes for 2Q 2010, decreased by 0.02 million tonnes or 40.00%, compared to 0.05 million tonnes for 2Q 2009.

Total revenue for 2Q 2010 increased by US\$634.43 million (78.33%) to US\$1,444.42 million for 2Q 2010 from US\$809.99 million for 2Q 2009. This was mainly attributable to higher volume of jet fuel supply and trading coupled with higher jet fuel prices in 2Q 2010, which averaged US\$91.39 per barrel (bbl) compared to an average of US\$64.79 per bbl in 2Q 2009.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$10.30 million for 2Q 2010, an increase of 54.19% compared to US\$6.68 million for 2Q 2009. This was mainly due to higher gains from jet fuel supply and trading activities.

Other operating income was US\$0.01 million for 2Q 2010 compared to US\$0.72 million for 2Q 2009. Lower other income in 2Q 2010 was mainly due to foreign exchange loss of US\$0.12 million incurred in 2Q 2010 compared to foreign exchange gain of US\$0.46 million in 2Q 2009. The foreign exchange gain in 2Q 2009 comprised translation gain on bank balances denominated in Singapore dollars as a result of the strengthening of the Singapore dollar against the US Dollar. The Singapore dollars denominated bank balances have reduced significantly in 2Q 2010 resulting in smaller impact from foreign exchange fluctuations. Bank interest income earned of US\$0.13 million for 2Q 2010, which was derived from time deposits placed with banks, was lower compared to US\$0.26 million for 2Q 2009 due mainly to the decline in interest rates.

Total expenses comprising administrative expenses, other operating expenses and finance costs increased by US\$0.27 million (11.39%) to US\$2.64 million for 2Q 2010, compared to US\$2.37 million for 2Q 2009. This was mainly attributable to higher headcount of 53 in 2Q 2010 compared to 44 in 2Q 2009, higher bank charges relating to issuance of Letters of Credit and additional office operating lease expense, etc.

The share of profits of associates was US\$10.41 million for 2Q 2010 compared to US\$6.81 million for 2Q 2009, an increase of 52.86%. This was mainly attributable to the share of profits of Pudong of US\$9.75 million for 2Q 2010 compared to US\$6.21 million for 2Q 2009, mainly due to higher refuelling volumes, lower cost of sales and lower finance costs.

The Group's net profit for 2Q 2010 was US\$18.08 million compared to US\$11.84 million for 2Q 2009, an increase of US\$6.24 million (52.70%). Earnings per share was 2.52 US cents for 2Q 2010 compared to 1.64 US cents for 2Q 2009.

2nd Qtr 2010 v 1st Qtr 2010

The total supply and trading volume for jet fuel and other oil products increased by 0.55 million tonnes (37.67%) to 2.01 million tonnes for 2Q 2010 compared to 1.46 million tonnes for the first quarter ended 31 March 2010 ("1Q 2010"), mainly due to higher import volume of jet fuel supply to the PRC and higher jet fuel trading activities.

Total revenue increased by US\$458.46 million (46.50%) to US\$1,444.42 million for 2Q 2010 from US\$985.96 million for 1Q 2010. This was mainly attributable to higher volume of jet fuel supply and trading and higher jet fuel prices which averaged at US\$91.39 per bbl for 2Q 2010 compared to an average price of US\$85.91 per bbl for 1Q 2010.

Gross profit derived from jet fuel supply and trading and trading of other oil products was US\$10.30 million for 2Q 2010, an increase of 37.88% compared to US\$7.47 million for 1Q 2010. This was mainly due to higher gains from jet fuel supply and trading activities.

Total expenses increased by US\$0.27 million (11.39%) to US\$2.64 million for 2Q 2010, compared to US\$2.37 million for 1Q 2010. This was mainly attributable to higher information technology expenses and additional office operating lease expense which commenced in April 2010, etc.

The share of profits from associates was US\$10.41 million for 2Q 2010 compared to US\$7.69 million for 1Q 2010, an increase of 35.37%. This was mainly attributable to the share of profits in Pudong of US\$9.75 million for 2Q 2010 compared to US\$7.47 million for 1Q 2010.

The share of results in TSN-PEKCL was US\$0.55 million for 2Q 2010 compared to US\$0.11 million for 1Q 2010, increase of US\$0.44 million.

The Group's net profit for 2Q 2010 was US\$18.08 million compared to US\$12.87 million for 1Q 2010, an increase of US\$5.21 million (40.48%). Earnings per share was 2.52 US cents for 2Q 2010 compared to 1.79 US cents for 1Q 2010.

1H 2010 v 1H 2009

The total supply and trading volume for jet fuel and other oil products increased by 0.51 million tonnes (17.23%) to 3.47 million tonnes for the first half year ended 30 June 2010 (“1H 2010”) compared to 2.96 million tonnes for the first half year ended 30 June 2009 (“1H 2009”). The volume of jet fuel supply and trading increased by 0.36 million tonnes (12.46%) to 3.25 million tonnes for 1H 2010 compared to 2.89 million tonnes for 1H 2009. The volume for trading of fuel oil and gas oil which commenced in 3Q 2009, were 0.09 million tonnes and 0.07 million tonnes for 1H 2010, respectively. The volume for petrochemical trading activities was 0.06 million tonnes for 1H 2010, decreased by 0.01 million tonnes or 14.29%, compared to 0.07 million tonnes for 1H 2009.

Total revenue increased by US\$964.79 million (65.83%) to US\$2,430.38 million for 1H 2010 from US\$1,465.59 million for 1H 2009. This was mainly attributable to higher volume of jet fuel supply and trading coupled with higher jet fuel prices which averaged at US\$89.13 per bbl for 1H 2010 compared to an average price of US\$61.79 per bbl for 1H 2009. The increase in total revenue was also partly due to revenue generated from petrochem 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\$17.77 million for 1H 2010, an increase of 5.56% compared to US\$16.84 million for 1H 2009. This was mainly due to higher gains from oil trading activities.

Other operating income was US\$0.10 million for 1H 2010 compared to negative US\$0.90 million for 1H 2009. The negative other income in 1H 2009 was mainly due to foreign exchange loss of US\$1.42 million which resulted from the translation loss on bank balances denominated in Singapore dollars as a result of the strengthening of the US dollar. The Singapore dollars denominated bank balances have reduced significantly in 1H 2010 resulting in smaller impact from foreign exchange fluctuations.

Bank interest income of US\$0.21 million for 1H 2010, which was derived from time deposits placed with banks, was lower by US\$0.31 million (60.61%) compared to US\$0.52 million for 1H 2009 mainly due to the decline in interest rates.

Total expenses were US\$5.01 million for 1H 2010, increased by 19.57% compared to US\$4.19 million for 1H 2009. The increase in expenses was mainly attributable to increase in business activities that resulted in higher headcount of 51 in 1H 2010 compared to the headcount of 44 in 1H 2009, increase in information technology expenses, bank charges relating to issuance of Letters of Credit, printing and stationery, additional office operating lease expense and the write back of professional fee over provided in prior years, etc.

The share of profits from associates was US\$18.10 million for 1H 2010 compared to US\$4.20 million for 1H 2009. This was mainly attributable to the share of profits in Pudong of US\$17.21 million for 1H 2010 compared to US\$3.30 million for 1H 2009. This was mainly due to higher refuelling volumes, lower cost of sales and lower finance costs.

The share of profits of TSN-PEKCL which the Group commenced equity accounting in March 2009, was US\$0.66 million for 1H 2010 compared to US\$0.81 million for 1H 2009, a decrease of US\$0.15 million. The decrease was mainly due to the additional amortisation on fair value of net assets and depreciation on property, plant and equipment in 1H 2010, following a Purchase Price Allocation (“PPA”) exercise undertaken in accordance with FRS 103.

The share of results in Xinyuan was US\$0.22 million for 1H 2010 compared to US\$0.09 million for 1H 2009, increase of US\$0.13 million.

The Group’s net profit for 1H 2010 was US\$30.95 million compared to US\$15.95 million for 1H 2009, an increase of US\$15.00 million (94.04%). Earnings per share was 4.31 US cents for 1H 2010 compared to 2.21 US cents for 1H 2009.

Statement of Financial Position

The Group's current assets stood at US\$616.40 million as at 30 June 2010 compared to US\$599.63 million as at 31 December 2009. The increase of US\$16.77 million in current assets resulted mainly from:

- (i) a decrease of US\$11.22 million in inventories, due to trading activities;
- (ii) an increase of US\$92.41 million in trade and other receivables to US\$472.24 million as at 30 June 2010 from US\$379.83 million as at 31 December 2009 due to higher sales revenue in June 2010 compared to December 2009; and
- (iii) a decrease of US\$64.42 million in cash and cash equivalents which was mainly attributable to the cash out flow of US\$51.08 million in operating activities, dividend payout of US\$10.18 million in May 2010 and the purchase of treasury shares of US\$3.19 million.

Non-current assets stood at US\$177.98 million as at 30 June 2010, compared to US\$159.10 million as at 31 December 2009. The increase of US\$18.88 million was mainly attributable to the share of profits in associates of US\$18.10 million.

Current liabilities made up of trade and other payables, increased by US\$17.25 million to US\$466.24 million as at 30 June 2010 compared to US\$448.99 million as at 31 December 2009. This was mainly due to the higher cost of purchases in June 2010 compared to December 2009.

The Company does not have any interest-bearing liabilities or obligations as at 30 June 2010 and 31 December 2009.

The Group's net assets stood at US\$328.15 million as at 30 June 2010, or 45.69 US cents per share, compared to US\$309.74 million as at 31 December 2009 or 42.91 US cents per share. The increase of 2.78 US cents per share in the Group's net assets was primarily due to an increase in retained earnings as a result of the net profits generated in 1H 2010.

Consolidated Statement of Cash Flows

2Q 2010 v 2Q 2009

Cash flows generated from operating activities before changes in working capital, was US\$7.68 million in 2Q 2010 compared to US\$4.10 million generated in 2Q 2009 mainly due to higher operating profits in 2Q 2010 as a result of higher trading activities.

In 2Q 2010, changes in working capital items were as follows: (i) cash used in inventories of US\$12.25 million; (ii) cash used in trade and other receivables of US\$209.38 million; and (iii) cash generated from trade and other payables of US\$150.08 million. The net cash used in operating activities was US\$63.87 million in 2Q 2010 compared to US\$36.36 million in 2Q 2009. This was due to the lower amount of timing difference in receipts from trade receivables and payments to trade suppliers.

Cash flows generated from investing activities amounted to US\$0.13 million in 2Q 2010, compared to US\$0.24 million in 2Q 2009, mainly attributable to the interest income derived from time deposits placed with banks.

Cash flows used in financing activities of US\$10.18 million in 2Q 2010 and US\$9.87 million in 2Q 2009 was due to the dividend payout of two Singapore cents per share.

1H 2010 v 1H 2009

Cash flows generated from operating activities before changes in working capital, was US\$12.89 million in 1H 2010 compared to US\$11.53 million generated in 1H 2009 mainly due to higher operating profits in 1H 2010 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\$11.22 million; (ii) cash used in trade and other receivables of US\$92.42 million; and (iii) cash generated from trade and other payables of US\$17.25 million. The net cash used in operating activities was US\$51.08 million in 1H 2010 compared to US\$2.76 million in 1H 2009. This was due to the lower amount of timing difference in receipts from trade receivables and payments to trade suppliers.

Cash flows generated from investing activities amounted to US\$0.05 million in 1H 2010, compared to cash flows used in investing activities of US\$13.73 million in 1H 2009. There were no investing activities in 1Q 2010 whereas in 1H 2009, US\$45.33 million was used in the acquisition of the 49% equity interest in TSN-PEKCL, partially offset by dividends amounting to US\$31.09 million received from Pudong and interest receipts of US\$0.60 million from time deposits placed with banks.

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. The cash flow used in financing activities of US\$9.87 million in 1H 2009 was due to the dividend payout of two Singapore cents per share.

- 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.

Looking ahead, we expect the upsurge in jet fuel demand in the PRC to taper off as the Shanghai World Expo comes to a close, but jet fuel demand is likely to remain healthy as PRC's air passenger traffic is expected to continue to expand in tandem with China's economic growth. Whilst jet fuel import demand in the PRC hinges on international air traffic volumes, it is also dependent on the domestic production and supply of jet fuel.

On the other hand, with uncertainties in the global macroeconomic outlook, operating conditions in the international oil trading markets is expected to be more challenging. We will continue to closely monitor all risk factors relating to the Group as we expand our trading businesses and portfolio of oil-related assets. Barring unforeseen circumstances, we expect the Group to be able to sustain higher profits in the financial year ending 31 December 2010.

- 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 2010.

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

Aggregate value of interested person transactions entered from 1 January 2010 to 30 June 2010.

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	883,975
Sales revenue from related corporation of a corporate shareholder	0	321,669
Purchases from related corporation of a corporate shareholder	0	605,329
Trading of derivative financial instrument with related corporation of a corporate shareholder	0	313
Supply chain services rendered from related corporation	0	946
Supply chain services rendered from related corporation of a corporate shareholder	0	277
Transportation revenue earned by associate from related corporations	0	3,819

BY ORDER OF THE BOARD

Doreen Nah
 Company Secretary
 3 August 2010