



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)
Third Quarter Financial Statement For The Period Ended 30 September 2008

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		
	3Q 08 US\$'000	3Q 07 US\$'000	Variance + / - %	YTD 3Q 08 US\$'000	YTD 3Q 07 US\$'000	Variance + / - %
Revenue (Note 1)	1,613,418	747,440	115.9%	4,453,588	1,893,293	135.2%
Cost of sales	(1,607,089)	(743,952)	116.0%	(4,440,189)	(1,884,315)	135.6%
Gross Profit (Note 2)	6,329	3,488	81.5%	13,399	8,978	49.2%
Other operating income						
- Bank interest income	1,281	2,480	-48.3%	4,210	6,229	-32.4%
- Gain on derivatives (Note 3)	-	-	NM	4,758	-	NM
- Gain on disposal of investment (Note 4)	-	-	NM	-	160,165	NM
- Others (Note 5)	(1,223)	(325)	276.3%	749	3,659	-79.5%
Administrative expenses	(1,858)	(2,015)	-7.8%	(5,387)	(6,070)	-11.3%
Other operating expenses	(464)	(327)	41.9%	(1,099)	(3,675)	-70.1%
Finance costs (Note 6)	(202)	(120)	68.3%	(414)	(6,549)	-93.7%
Share of results of associates (net of tax)	5,307	7,485	-29.1%	20,704	20,271	2.1%
Profit before taxation	9,170	10,666	-14.0%	36,920	183,008	-79.8%
Income tax credit/(expense) (Note 7)	6,143	(145)	NM	4,894	(27,209)	-118.0%
Profit after taxation	15,313	10,521	45.5%	41,814	155,799	-73.2%
Attributable to:						
Equity holders of the Company	15,313	10,528	45.5%	41,814	156,400	-73.3%
Minority interest	-	(7)	NM	-	(601)	NM
Profit for the period	15,313	10,521	45.5%	41,814	155,799	-73.2%

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

	Group					
	3Q 08	3Q 07	Var	YTD3Q08	YTD3Q07	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Depreciation of property, plant and equipment	(80)	(100)	-20.0%	(250)	(347)	-28.0%
Amortisation of intangible assets	(27)	-	NM	(79)	-	NM
Foreign exchange gain/(loss) (Note 5)	(1,223)	(97)	NM	696	3,610	-80.7%
Impairment loss on plant, property and equipment	-	(21)	NM	-	(2,736)	NM
Interest expense (Note 6)	-	-	NM	-	(6,145)	NM
Over/(Under) provision of current taxation in respect of prior years	4,894	-	NM	4,894	(1,723)	NM

Note 1: The Group's revenue for 3Q 2008 was US\$1.6 billion compared to US\$0.7 billion for 3Q 2007 and US\$4.5 billion for YTD 3Q 2008 compared to US\$1.9 billion for YTD 3Q 2007. The increase was mainly attributable to the higher volume of jet fuel procured and supplied as well as the higher fuel prices. Total volume procured and supplied in 3Q 2008 was 1.29 million Metric Tonnes ("MT"), an increase of 20.6% from 1.07 million MT in 3Q 2007. The total volume procured and supplied was 4.0 million MT in YTD 3Q 2008 compared to 2.9 million MT in YTD 3Q 2007, an increase of approximately 37.9%.

Note 2: Gross profit was derived from the fixed margin per barrel for jet fuel procured and supplied to major international airports in China, hedging and freight optimisation activities.

Note 3: This relates to derivatives gain in 2Q 2008 which resulted from the unwinding of a hedging contract originally entered into by the Company to hedge an underlying physical cargo. The cancellation of the underlying physical cargo following discussions with the customer due to fluctuations of jet fuel prices and the high inventory level of the customer gave the Company the opportunity to close the paper swaps at a higher price that resulted in a gain of US\$4.8 million in YTD 3Q 2008.

Note 4: The gain in 2Q 2007 was derived from the sale of the 5% interest in Compania Logistica de Hidrocarburos, S.A. ("CLH").

Note 5: Others in 3Q 2008 and 3Q 2007 comprised mainly foreign exchange losses incurred during the quarters. For YTD 3Q 2008, others comprised mainly net foreign exchange gain resulting from the realisation of the Singapore dollar which was converted at a more favourable rate against the US dollar. For YTD 3Q 2007, this mainly comprised net foreign exchange gain due to the appreciation of the Euro against the US dollar.

Note 6: Finance costs in 3Q 2008 and YTD 3Q 2008 comprised mainly bank charges relating to the issuance of Letters of Credit. In 3Q 2007, the amount relates to bank charges on the issuance of Letters of Credit. For YTD 3Q 2007, finance costs comprised interest payments made to scheme creditors and the accelerated amortisation of the fair value interest adjustment in accordance with FRS 39 as a result of the full settlement of the deferred debt in May 2007.

Note 7: The tax credit in 3Q 2008 and YTD 3Q 2008 was due to the reversal of provisions of US\$1.2 million made in the current financial year and US\$ 3.5 million provided in previous years of assessment following the decision of the Inland Revenue Authority of Singapore ("IRAS") (i) to allow the Company tax deduction on the losses from speculative options trading incurred in 2004 of approximately S\$896 million (approximately US\$530 million); and (ii) to regard the waiver of debts under the Scheme of Arrangement in 2006 as non-taxable. The Group also received a tax refund of US\$1.4 million from IRAS during the quarter under review in respect of claim for group loss relief on the previous years' profits of its wholly owned subsidiary, CAOT Pte Ltd ("CAOT"). Income tax expense in YTD 3Q 2007 comprised capital gain tax of US\$25.4 million paid in Spain on the disposal of CLH and US\$1.7 million of additional income tax provisions on prior year assessments.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at end of the immediately preceding financial year.

	Group		Company	
	As at 30 Sep 08 US\$'000	As at 31 Dec 07 US\$'000	As at 30 Sep 08 US\$'000	As at 31 Dec 07 US\$'000
Non-current assets				
Property, plant and equipment	6,605	6,808	6,605	6,808
Intangible assets	201	269	201	269
Associates (note 1)	123,040	97,108	35,911	35,911
	<u>129,846</u>	<u>104,185</u>	<u>42,717</u>	<u>42,988</u>
Current assets				
Trade and other receivables (Note 2)	368,454	283,460	368,454	283,460
Cash and cash equivalents (Note 3)	290,552	300,472	290,532	299,517
	<u>659,006</u>	<u>583,932</u>	<u>658,986</u>	<u>582,977</u>
Total assets	<u>788,852</u>	<u>688,117</u>	<u>701,703</u>	<u>625,965</u>
Equity attributable to equity holders of the Company				
Share capital	215,573	215,573	215,573	215,573
Reserves	16,059	14,321	(3,489)	-
Accumulated profits/(losses) (Note 4)	43,819	38,688	(23,782)	(7,789)
Total equity	<u>275,451</u>	<u>268,582</u>	<u>188,302</u>	<u>207,784</u>
Current liabilities				
Trade and other payables (Note 2)	513,401	413,232	513,401	413,215
Current tax payable	-	6,303	-	4,966
Total liabilities	<u>513,401</u>	<u>419,535</u>	<u>513,401</u>	<u>418,181</u>
Total equity and liabilities	<u>788,852</u>	<u>688,117</u>	<u>701,703</u>	<u>625,965</u>

Note 1 - The increase in investments in associates was mainly due to the share of results of Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong") and an increase in currency translation reserve due to the appreciation of RMB against the US dollar.

Note 2 - Trade and other receivables of US\$368.5 million comprised trade receivables, intercompany receivables, prepayments, deposits and other receivables. Trade and other payables of US\$513.4 million comprised trade payables, accrued operating expenses and other payables. Trade receivables of US\$356.9 million represent less than one month's invoiced sales. Trade payables of US\$495.9 million represent cost of sales recognised within the month of September 2008 and approximately US\$146.6million was due to timing differences in receipts from trade receivables and payments to trade suppliers. This amount was due and paid to suppliers in October 2008.

Note 3 - The decrease in cash and cash equivalents was mainly due to the dividend payment of US\$36.7 million in May 2008.

Note 4 - Accumulated losses at Company level has increased from US\$7.8 million as at 31 December 2007 to US\$23.8 million as at 30 September 2008 due to the payout of US\$36.7million in May 2008 in respect of Special Dividend and Final Dividend for the financial year ended 31 December 2007. Please refer to Statement of Changes in Equity on page 7.

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 Sep 2008		As at 31 Dec 2007	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
0	0	0	0

Amount repayable after one year

As at 30 Sep 2008		As at 31 Dec 2007	
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 September 2008 and as at 31 December 2007.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			
	3Q 08	3Q 07	YTD 3Q 08	YTD 3Q 07
	US\$'000	US\$'000	US\$'000	US\$'000
Operating Activities				
Profit before taxation	9,170	10,666	36,920	183,008
Adjustments for items not involving outlay of funds:-				
Depreciation of property, plant and equipment	80	100	250	347
Amortisation of intangible assets	27	-	79	-
Gain on disposal of property, plant and equipment	-	-	(53)	-
Gain on disposal of non-current assets held for sale	-	-	-	(160,165)
Share of profits of associates	(5,307)	(7,485)	(20,704)	(20,271)
Impairment loss on property, plant and equipment	-	21	-	2,736
Interest income	(1,281)	(2,480)	(4,210)	(6,229)
Interest expenses	-	-	-	6,145
Unrealised exchange differences	1,286	110	775	204
	<u>3,975</u>	<u>932</u>	<u>13,057</u>	<u>5,775</u>
Changes in working capital				
Inventories	-	446	-	-
Trade and other receivables	336,966	(73,652)	(85,047)	(20,524)
Trade and other payables	(244,835)	93,605	96,509	57,178
Cash generated from operations	<u>96,106</u>	<u>21,331</u>	<u>24,519</u>	<u>42,429</u>
Income tax refunded/(paid)	1,341	(412)	(1,115)	(26,190)
Cash flows from operating activities	<u>97,447</u>	<u>20,919</u>	<u>23,404</u>	<u>16,239</u>
Investing Activities				
Interest received	1,110	2,396	4,251	5,901
Purchase of property, plant and equipment	(18)	(317)	(75)	(431)
Purchase of intangible assets	(3)	-	(11)	-
Proceeds from sale of property, plant and equipment	-	-	81	-
Proceeds from disposal of non-current assets held for sale	-	-	-	224,663
Cash flows from investing activities	<u>1,089</u>	<u>2,079</u>	<u>4,246</u>	<u>230,133</u>
Financing Activities				
Interest paid	-	-	-	(2,459)
Dividends paid	-	-	(36,683)	(9,529)
Payment to scheme creditors	-	-	-	(136,963)
Decrease in escrow account balance	-	-	-	4,119
Cash flows from financing activities	<u>-</u>	<u>-</u>	<u>(36,683)</u>	<u>(144,832)</u>
Net (decrease)/increase in cash and cash equivalents	98,536	22,998	(9,033)	101,540
Cash and cash equivalents at beginning of the period	193,454	163,837	300,472	85,376
Effect of exchange rate fluctuations on cash held (Note 1)	(1,438)	166	(887)	85
Cash and cash equivalents at end of the period	<u>290,552</u>	<u>187,001</u>	<u>290,552</u>	<u>187,001</u>

Note 1: This was mainly due to the effect of unrealised exchange loss relating to bank balances in Singapore dollar, which has resulted from the strengthening of the US dollar.

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	Hedging reserve US\$'000	Currency translation reserve US\$'000	Statutory reserve US\$'000	Accumulated (losses)/profits US\$'000	Total attributable to equity holders of the Company US\$'000	Minority interest US\$'000	Total equity US\$'000
Group								
At 1 January 2007	215,573	-	3,214	6,925	(120,009)	105,703	1,073	106,776
Translation differences relating to financial statements of foreign subsidiary and associate/Net gain recognised directly in equity	-	-	2,002	-	-	2,002	26	2,028
Profit/(loss) for the period	-	-	-	-	156,400	156,400	(601)	155,799
Total recognised income and expense for the period	-	-	2,002	-	156,400	158,402	(575)	157,827
Dividends paid					(9,529)	(9,529)	-	(9,529)
At 30 September 2007	215,573	-	5,216	6,925	26,862	254,576	498	255,074
At 1 January 2008	215,573	-	7,288	7,033	38,688	268,582	-	268,582
Translation differences relating to financial statements of foreign associates	-	-	5,227	-	-	5,227	-	5,227
Effective portion of changes in fair value of cash flow hedge	-	(3,489)	-	-	-	(3,489)	-	(3,489)
Net gain/(loss) recognised directly in equity	-	(3,489)	5,227	-	-	1,738	-	1,738
Profit for the period	-	-	-	-	41,814	41,814	-	41,814
Total recognised income/ (expense) for the period	-	(3,489)	5,227	-	41,814	43,552	-	43,552
Dividends paid	-	-	-	-	(36,683)	(36,683)	-	(36,683)
At 30 September 2008	215,573	(3,489)	12,515	7,033	43,819	275,451	-	275,451

Statement of Changes in Equity

	Share capital US\$'000	Hedging reserve US\$'000	Accumulated losses US\$'000	Total attributable to equity holders of the Company US\$'000
Company				
At 1 January 2007	215,573	-	(153,677)	61,896
Profit for the period/Total recognised income for the period	-	-	148,665	148,665
Dividends paid	-	-	(9,529)	(9,529)
At 30 September 2007	<u>215,573</u>	<u>-</u>	<u>(14,541)</u>	<u>201,032</u>
At 1 January 2008	215,573	-	(7,789)	207,784
Effective portion of changes in fair value of cash flow hedge/Net loss recognised directly in equity	-	(3,489)	-	(3,489)
Profit for the period	-	-	20,690	20,690
Total recognised income/(expense) for the period	<u>-</u>	<u>(3,489)</u>	<u>20,690</u>	<u>17,201</u>
Dividends paid	-	-	(36,683)	(36,683)
At 30 September 2008	<u>215,573</u>	<u>(3,489)</u>	<u>(23,782)</u>	<u>188,302</u>

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.

No shares were issued since 31 December 2007.

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 2007.

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 adopted the following new/revised Singapore Financial Reporting Standards (“FRS”):

INT FRS 111 FRS 102 Group and Treasury Share Transaction

INT FRS 112 Service Concession Arrangements

INT FRS 114 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Other than the adoption of the above new/revised Financial Reporting Standards issued by the Council on Corporate Disclosure and Governance as at 30 September 2008, which took effect on 1 January 2008, there has been no change in the accounting policies and methods of computation adopted by the Group. The adoption of the new/revised Financial Reporting Standards did not have a significant impact on the financial statements of the Group.

- 6 Earning 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.

	3Q 08	3Q 07	YTD 3Q 08	YTD 3Q 07
Earnings per ordinary share for the period after deducting any provision for preference dividends:				
(a) Based on weighted average number of ordinary share on issue; and	2.12 cents	1.46 cents	5.78 cents	21.64 cents
(b) On a fully diluted basis	2.12 cents	1.46 cents	5.78 cents	21.64 cents
Weighted average number of shares ('000)	722,821	722,821	722,821	722,821

Basic earnings per share and earnings per share on a fully diluted basis for the financial period ended 30 September 2008 were computed based on net profit attributable to equity holders of the Company of US\$41,814,000 (2007: US\$156,400,000) and weighted average share capital in issue of 722,820,537 (2007: 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:
- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Group		Company	
	Sep 08	Dec 07	Sep 08	Dec 07
Net asset value per ordinary share based on issued share capital at the end of the period reported on (US cents)	38.11	37.16	26.05	28.75
Number of ordinary shares issued ('000)	722,821	722,821	722,821	722,821

Net asset value per ordinary share is determined based on net asset value attributable to equity holders of the Company and the number of shares in issue of the Company as at 30 September 2008 and 31 December 2007.

- 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

The principal activities of the Group remain as those relating to the procurement of jet fuel, oil-trading activities for the purpose of hedging and investment holding. Revenue streams comprised (i) jet fuel procurement (ii) results from hedging activities and (iii) strategic investments in oil related businesses.

3Q 2008 vs 3Q 2007

The Group's revenue increased by 115.9% to US\$1.6 billion for 3Q 2008 compared to US\$0.7 billion for 3Q 2007 mainly attributable to higher volume of jet fuel procured and supplied as well as higher fuel prices. Jet fuel price averaged US\$157.2 per barrel in 3Q 2008, an increase of approximately 79.3% from an average price of US\$87.7 per barrel in 3Q 2007. The total volume of jet fuel procured and supplied was 1.29 million MT in 3Q 2008 compared to 1.07 million MT in 3Q 2007, an increase of approximately 20.6%.

Interest income derived from deposits placed with banks and financial institutions was US\$1.3 million in 3Q 2008 compared to US\$2.5 million in 3Q 2007. The lower interest income was due to lower interest rates on fixed deposits.

Other operating income comprised mainly foreign exchange loss of US\$1.2 million mainly on revaluation of Singapore dollar bank balances to US dollar that resulted from the weakening of Singapore dollar against the US dollar in 3Q 2008. The foreign exchange loss of US\$0.1 million in 3Q 2007 was due to the revaluation of liabilities denominated in Singapore dollar which resulted from the strengthening of the Singapore dollar against the US dollar.

The reduction in administrative expenses was mainly due to lower travelling expenses and lower spending on information technology systems.

Other operating expenses in 3Q 2008 and 3Q 2007 comprised mainly professional fees. Higher professional and legal fees in 3Q 2008 was due to fees incurred with respect to investment activities and work connected with the preparation of a shareholders' circular for the proposed new mandate for interested person transactions.

Finance costs in 3Q 2008 and 3Q 2007 comprised mainly bank charges. These are relating to the issuance of Letters of Credit ("LC") and dependent on jet fuel prices and volume transacted.

The Group's share of the results of its associate, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong"), was US\$5.2 million for 3Q 2008 compared to US\$7.5 million for 3Q 2007, a decrease of 30.7%. The decrease was mainly due to higher procurement costs and lower revenue due to the recent decline in oil prices, higher interest expenses and exchange losses as a result of the appreciation of the Renminbi against the US Dollar. The Group's share of results in 39% of China Aviation Oil Xinyuan Petrochemical Co Ltd ("Xinyuan") was US\$0.1 million in 3Q 2008 which was primarily due to the increase in sales of gasoil to a new customer.

The tax credit of US\$6.1 million in 3Q 2008 was due to the reversal of provisions made in 1H 2008 and previous years' of assessment following the decision by IRAS to allow the Company tax deduction on the losses incurred in 2004 and to regard the waiver of debts under the Scheme of Arrangement in 2006 as non-taxable. The Company was under Global Traders' Programme ("GTP") 5% tax incentive scheme in 2004 and received approval from International Enterprise Singapore ("IE") under GTP 10% tax incentive scheme with effect from 1 January 2008.

The Group's profit attributable to shareholders was US\$15.3 million for 3Q 2008 compared to US\$10.5 million for 3Q 2007.

YTD 3Q 2008 vs YTD 3Q 2007

The Group's revenue for YTD 3Q 2008 was US\$4.5 billion compared to US\$1.9 billion for YTD 3Q 2007, an increase of 135.2%. The increase was mainly attributable to the higher volume of jet fuel procured and supplied as well as the higher fuel prices. Total volume of jet fuel procured and supplied was 4.0 million MT in YTD 3Q 2008 compared to 2.9 million MT in YTD 3Q 2007, an increase of approximately 37.9%. Average jet fuel price increased from US\$82.0 per barrel in YTD 3Q 2007 to US\$140.3 per barrel in YTD 3Q 2008. The increase in total volume of jet fuel procured and

supplied for the period under review was due to a rise in demand for jet fuel imports in China corresponding to higher overall demand during the Beijing Olympics season and a decline in China's domestic production and supply of jet fuel.

The Company recorded gain on derivatives of US\$4.8 million on paper swaps in YTD 3Q 2008. Please see explanations in the Half Year Financial Statement for the period ended 30 June 2008.

Interest income was US\$4.2 million in YTD 3Q 2008 as compared to US\$6.2 million in YTD 3Q 2007. This decrease was primarily due to lower interest rates on fixed deposits placed with banks and financial institutions.

Other operating income comprised mainly exchange gain of US\$0.7 million in YTD 3Q 2008 against a higher exchange gain of US\$3.6 million in YTD 3Q 2007. The exchange gain in YTD 3Q 2008 was mainly attributable to the appreciation of the Singapore dollar against the US dollar in the first half of 2008. The exchange gain of US\$3.7 million in YTD 3Q 2007 was due to the appreciation of the Euro against the US dollar.

The disposal of the Group's 5% investment in Compania Logistica de Hidrocarburos, S.A. ("CLH") resulted in a gain of US\$160.2 million before capital gain tax and US\$134.8 million after deducting capital gain tax in YTD 3Q 2007.

Administrative expenses decreased mainly due to the decrease in the average number of employees to 39 in YTD 3Q 2008 from 43 in YTD 3Q 2007. Higher payroll and related expenses in YTD 3Q 2007 was also due to payment in-lieu of notice for some redundant staff.

Other operating expenses in YTD 3Q 2008 were US\$1.1 million against US\$3.7 million in YTD 3Q 2007, a reduction of 70.1%. Other operating expenses in YTD 3Q 2008 comprised mainly professional and legal fees incurred in respect of investment activities and work connected with the preparation of a circular to shareholders for the proposed new mandate for interested person transactions. Higher other operating expenses in YTD 3Q 2007 were mainly due to the impairment loss made on the oil storage properties held by Group's 80% subsidiary, Xinyuan, before the Group's divestment of 41% in Xinyuan in August 2007.

Finance costs was US\$0.4 million in YTD 3Q 2008 compared to US\$6.5 million in YTD 3Q 2007. Finance costs in YTD 3Q 2008 relates largely to bank charges on the issuance of Letters of Credit. Higher finance costs in YTD 3Q 2007 was mainly due to the interest payments made to scheme creditors and the accelerated amortisation of the fair value interest adjustment in accordance with FRS 39 as a result of the full settlement of the deferred debt in May 2007. There was no interest expense in YTD 3Q 2008 as the Company has no interest-bearing debts since the amounts due to the Scheme Creditors were fully repaid in May 2007.

The Group's share of the results of its associate, Pudong, was US\$20.7 million for YTD 3Q 2008 compared to US\$20.3 million for YTD 3Q 2007, an increase of 2.0%. In YTD 3Q 2007, the Group's share of Pudong's results was net of allowance for impairment loss on trade receivables of US\$3.1 million. Excluding the allowance for impairment loss, the share of results of Pudong in YTD 3Q 2008 would be a decrease of 11.5% compared to YTD 3Q 2007. The decrease in the Group's share of results of associates was primarily due to the decrease in Pudong's profit contribution due to higher procurement costs and lower revenue due to the recent decline in oil prices, higher interest expenses and exchange losses incurred during the current period. Increase in jet fuel prices and volume of jet fuel procured and supplied led to higher trade receivables and trade payables. However, due to the slower collection of receivables, more short-term loans with higher interest rates were obtained by Pudong to settle its payables. Acute strengthening of the Renminbi against the US dollar also contributed to the decrease in Pudong's profit. In addition, as a result of the unification of China's corporate tax rate with effect from 1 January 2008, the Group has provided for taxation on its share of results of Pudong at the tax rate of 18%. Prior to 1 January 2008, Pudong was subject to a tax concessionary corporate tax rate of 15%. The share of results of associate in YTD 3Q 2008 also includes the Group's share of profits of its 39% stake in Xinyuan of US\$0.1 million.

The Group's profit attributable to shareholders was US\$41.8 million for YTD 3Q 2008 compared to US\$156.4 million for YTD 3Q 2007. Excluding the net gain on disposal of CLH, the Group's profit attributable to shareholders would be US\$21.6 million in YTD 3Q 2007. The Group's profit for YTD 3Q 2008 is an increase of 93.5% compared to YTD 3Q 2007 without the net gain from the disposal of CLH.

Financial position and Cash Flow review

The Group's net equity increased by 2.6% to US\$275.5 million as at 30 September 2008 from US\$268.6 million as at 31 December 2007. This was attributable to the profit after tax in YTD 3Q 2008 and the increase in currency translation

reserve from its investment in Pudong and after special dividend payment of US\$26.2 million and ordinary dividend payment of US\$10.5 million in the current period. The Company paid ordinary dividend amounting to US\$9.5 million in 2007.

The Company entered into hedging contracts to hedge against oil price fluctuations on physical cargoes and to lock in profits. In accordance with the hedge accounting requirements pursuant to FRS 39, the hedge contracts are subject to mark-to-market valuation that have resulted in a negative change in fair value of US\$3.5 million as at 30 September 2008 which was recognised in hedging reserve in equity. Had the physical cargoes been valued at the prevailing market price as at 30 September 2008, this would have resulted in a corresponding positive change in fair value of approximately the same amount for the Group. The physical cargoes have been contracted for deliveries by the suppliers to the customers in a few months' time, hence are not subject to mark-to-market valuation. The hedge contracts will mature at the same month when the physical cargoes are delivered. At that point, the profit or loss arising from the settlement of the hedging contracts will offset/negate the effect of the oil price fluctuation on the physical cargoes. As a result of these hedging contracts, the Group is not subject to the effect of oil price fluctuations on the procurement of physical jet fuel.

As at 30 September 2008, the Group's cash and cash equivalents was US\$290.6 million as compared to US\$300.5 million as at 31 December 2007. The reduction in cash and cash equivalents as at 30 September 2008 was mainly due to the dividend payment of US\$36.7 million in the first half of 2008 apart from the effect of timing differences on the receipts from trade receivables and payments to trade payables. In 2007, cash was generated mainly from the balance of the net proceeds arising from the sale of the 5% investment in CLH, profits generated from the Company's operations and timing differences on the receipts from trade receivables and payments to trade payables.

As at 30 September 2008, the Company has US\$9.2 million as margin deposits, which was recorded under trade and other receivables in the Balance Sheet, for the purpose of the hedge contracts entered into in 3Q 2008.

The Company does not have any interest-bearing liabilities or obligations as at 30 September 2008 and as at 31 December 2007.

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.

Following the conclusion of the Beijing Olympics, we expect the overall jet fuel demand growth in China to go back to normal. However, China's jet fuel import demand is crucially dependent on the level of jet fuel production in China's domestic refineries.

In view of increasing uncertainties due to the global financial crisis, we have adopted a more cautious approach to our trading activities. We will monitor the situation closely before deciding our next course of action.

Barring any unforeseen circumstances, we expect 2008 to be a profitable year.

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 September 2008.

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 2008 to 30 September 2008.

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	2,325,740
Jet fuel procurement from related corporation	0	35,132

BY ORDER OF THE BOARD

Doreen Nah
Company Secretary

14 November 2008