



CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)
Second Quarter/Half Year Financial Statement For The Period Ended 30 June 2009

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 2009	2Q 2008	Variance		1H 2009	1H 2008	Variance	
	(Restated)				(Restated)			
	US\$'000	US\$'000	+ / -	%	US\$'000	US\$'000	+ / -	%
Revenue (Note 1)	809,991	1,841,704	-56.0%		1,465,592	2,846,301	-48.5%	
Cost of sales	(803,308)	(1,832,141)	-56.2%		(1,448,755)	(2,833,814)	-48.9%	
Gross Profit	6,683	9,563	-30.1%		16,837	12,487	34.8%	
Other operating income (Note 2)	717	1,635	-56.1%		(900)	4,901	-118.4%	
Administrative expenses	(2,006)	(1,652)	21.4%		(3,632)	(3,080)	17.9%	
Other operating expenses	(184)	(274)	-32.8%		(261)	(635)	-58.9%	
Finance costs	(176)	(147)	19.7%		(295)	(212)	39.2%	
Operating Profit	5,034	9,125	-44.8%		11,749	13,461	-12.7%	
Share of results of associates (net of tax) (Note 3)	6,808	10,520	-35.3%		4,203	15,397	-72.7%	
Profit before income tax	11,842	19,645	-39.7%		15,952	28,858	-44.7%	
Income tax expense	-	(866)	NM		-	(1,249)	NM	
PROFIT FOR THE PERIOD	11,842	18,779	-36.9%		15,952	27,609	-42.2%	
Attributable to:								
Equity holders of the Company	11,842	18,779	-36.9%		15,952	27,609	-42.2%	

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 2009	2Q 2008	Variance	1H 2009	1H 2008	Variance
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
PROFIT FOR THE PERIOD	11,842	18,779	-36.9%	15,952	27,609	-42.2%
Other comprehensive (loss)/income:						
Exchange differences on translating foreign associates	(6)	3,857	-100.2%	(565)	7,229	-107.8%
Other comprehensive (loss)/income for the period, net of tax	(6)	3,857	-100.2%	(565)	7,229	-107.8%
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	11,836	22,636	-47.7%	15,387	34,838	-55.8%
Total comprehensive income attributable to:						
Owners of the parent	11,836	22,636	-47.7%	15,387	34,838	-55.8%

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

	Group			Group		
	2Q 2009	2Q 2008	Var	1H 2009	1H 2008	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Depreciation of property, plant and equipment	(86)	(84)	2.4%	(170)	(170)	-
Amortisation of intangible assets	(29)	(26)	11.5%	(56)	(52)	7.7%
Foreign exchange (loss)/gain	457	379	20.6%	(1,423)	1,919	-174.2%

Note 1: Revenue

	Group			Group		
	2Q 2009	2Q 2008	Var	1H 2009	1H 2008	Var
	US\$'000	US\$'000	+ / - %	US\$'000	US\$'000	+ / - %
Revenue from jet fuel	777,064	1,841,704	-57.8%	1,424,163	2,846,301	-50.0%
Revenue from petrochemical products	32,927	-	NM	41,429	-	NM
	809,991	1,841,704	-56.0%	1,465,592	2,846,301	-48.5%

Note 2: Other operating income

	Group			Group		
	2Q 2009 US\$'000	2Q 2008 US\$'000	Var + / - %	1H 2009 US\$'000	1H 2008 US\$'000	Var + / - %
Bank interest income	260	1,203	-78.4%	523	2,929	-82.1%
Foreign exchange (loss)/gain	457	379	20.6%	(1,423)	1,919	-174.2%
Others	-	53	NM	-	53	NM
	717	1,635	-56.1%	(900)	4,901	-118.4%

Note 3: Share of results of associates

	Group			Group		
	2Q 2009 US\$'000	2Q 2008 US\$'000	Var + / - %	1H 2009 US\$'000	1H 2008 US\$'000	Var + / - %
Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong")	6,207	10,540	-41.1%	3,304	15,385	-78.5%
China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL")*	553	-	NM	814	-	NM
China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan")	48	(20)	NM	85	12	NM
	6,808	10,520	-35.3%	4,203	15,397	-72.7%

* The Group completed its acquisition of 49% equity interest in TSN-PEKCL at end February 2009.

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 09 US\$'000	As at 31 Dec 08 US\$'000	As at 30 Jun 09 US\$'000	As at 31 Dec 08 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	8,195	8,296	8,195	8,296
Intangible assets	141	174	141	174
Associates	130,968	82,005	81,236	35,911
	139,304	90,475	89,572	44,381
Current assets				
Trade and other receivables	365,621	251,522	365,621	251,522
Cash and cash equivalents	126,666	153,102	126,646	153,081
	492,287	404,624	492,267	404,603
Total assets	631,591	495,099	581,839	448,984
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	215,573	215,573	215,573	215,573
Retained earnings	46,428	40,350	15,891	14,016
Other components of equity	19,212	19,777	-	-
Total equity	281,213	275,700	231,464	229,589
Current liabilities				
Trade and other payables	350,378	219,399	350,375	219,395
Total liabilities	350,378	219,399	350,375	219,395
Total equity and liabilities	631,591	495,099	581,839	448,984

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 2009		As at 31 Dec 2008	
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 2009		As at 31 Dec 2008	
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 2009 and as at 31 December 2008.

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 2009	2Q 2008	1H 2009	1H 2008
		(Restated)		(Restated)
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Profit for the period	11,842	18,779	15,952	27,609
Adjustments for items not involving outlay of funds:-				
Depreciation of property, plant and equipment	86	84	170	170
Amortisation of intangible assets	29	26	56	52
Gain on disposal of property, plant and equipment	-	(53)	-	(53)
Share of results of associates (net of tax)	(6,808)	(10,520)	(4,203)	(15,397)
Interest income	(260)	(1,203)	(523)	(2,929)
Income tax expense	-	866	-	1,249
Unrealised exchange differences	(787)	1,234	73	(511)
	<u>4,102</u>	<u>9,213</u>	<u>11,525</u>	<u>10,190</u>
Changes in working capital				
Trade and other receivables	(129,387)	(425,612)	(145,371)	(422,013)
Trade and other payables	88,924	381,696	131,084	340,236
Cash used in operations	<u>(36,361)</u>	<u>(34,703)</u>	<u>(2,762)</u>	<u>(71,587)</u>
Income taxes paid	-	(19)	-	(2,456)
Cash flows from operating activities	<u>(36,361)</u>	<u>(34,722)</u>	<u>(2,762)</u>	<u>(74,043)</u>
Investing activities				
Interest received	246	1,321	600	3,141
Purchase of property, plant and equipment	(2)	(55)	(69)	(57)
Purchase of intangible assets	-	(8)	(23)	(8)
Proceeds from sale of property, plant and equipment	-	81	-	81
Acquisition of associate	-	-	(45,325)	-
Dividends received from associate	-	-	31,090	-
Cash flows from investing activities	<u>244</u>	<u>1,339</u>	<u>(13,727)</u>	<u>3,157</u>
Financing activity				
Dividend paid	(9,874)	(36,683)	(9,874)	(36,683)
Cash flow from financing activity	<u>(9,874)</u>	<u>(36,683)</u>	<u>(9,874)</u>	<u>(36,683)</u>
Net decrease in cash and cash equivalents	<u>(45,991)</u>	<u>(70,066)</u>	<u>(26,363)</u>	<u>(107,569)</u>
Cash and cash equivalents at beginning of the period	171,870	264,794	153,102	300,472
Net effect of exchange rate fluctuations on cash held	787	(1,274)	(73)	551
Cash and cash equivalents at end of the period	<u>126,666</u>	<u>193,454</u>	<u>126,666</u>	<u>193,454</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

THE GROUP	Share capital US\$'000	Retained earnings US\$'000	Foreign currency translation reserve US\$'000	Statutory reserve US\$'000	Total equity US\$'000
As at 1 January 2008	215,573	38,688	7,288	7,033	268,582
Total comprehensive income for the period, as previously reported	-	9,045	3,372	-	12,417
Effect of the changes in accounting policy	-	(215)	-	-	(215)
Total comprehensive income for the period, as restated	-	8,830	3,372	-	12,202
As at 31 March 2008	215,573	47,518	10,660	7,033	280,784
Total comprehensive income for the period, as previously reported	-	17,456	3,857	-	21,313
Effect of the changes in accounting policy	-	1,323	-	-	1,323
Total comprehensive income for the period, as restated	-	18,779	3,857	-	22,636
Dividend paid in respect of 2007	-	(36,683)	-	-	(36,683)
As at 30 June 2008	215,573	29,614	14,517	7,033	266,737
As at 1 January 2009	215,573	40,350	12,744	7,033	275,700
Total comprehensive income/(loss) for the period	-	4,110	(559)	-	3,551
As at 31 March 2009	215,573	44,460	12,185	7,033	279,251
Total comprehensive income/(loss) for the period	-	11,842	(6)	-	11,836
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

Statement of Changes in Equity

THE COMPANY	Share capital US\$'000	Retained earnings US\$'000	Total equity US\$'000
As at 1 January 2008	215,573	(7,789)	207,784
Total comprehensive income for the period, as previously reported	-	3,561	3,561
Effect of the changes in accounting policy	-	(215)	(215)
Total comprehensive income for the period, as restated	-	3,346	3,346
As at 31 March 2008	215,573	(4,443)	211,130
Total comprehensive income for the period, as previously reported	-	6,934	6,934
Effect of the changes in accounting policy	-	1,323	1,323
Total comprehensive income for the period, as restated	-	8,257	8,257
Dividend paid in respect of 2007	-	(36,683)	(36,683)
As at 30 June 2008	215,573	(32,869)	182,704
As at 1 January 2009	215,573	14,016	229,589
Total comprehensive income for the period	-	6,716	6,716
As at 31 March 2009	215,573	20,732	236,305
Total comprehensive income for the period	-	5,033	5,033
Dividend paid in respect of 2008	-	(9,874)	(9,874)
As at 30 June 2009	215,573	15,891	231,464

- 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 2008.

- 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 2008.

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.

On 1 January 2009, the Group adopted the Singapore Financial Reporting Standards, FRS 1 (revised) - Presentation of Financial Statements ("FRS 1"), which is effective for annual periods beginning on or after 1 January 2009. According to FRS 1, the Group separated the presentation of owner and non-owner changes in equity. The Statements of Changes in Equity include only details of transactions with owners, with all non-owner changes in equity presented as a single line as "Total comprehensive income/loss for the period".

In addition, the "Balance sheets" and "Consolidated cash flow statement" have been re-titled to "Statements of Financial Position" and "Consolidated Statement of Cash Flows" respectively.

Pursuant to FRS 39 - Financial Instruments: Recognition and Measurement, the Company had previously adopted cash flow hedge accounting where changes in the fair value of the derivative hedging instrument are recognized directly to equity for effective hedges. Thereafter, such fair value changes are transferred and recognised in income statement upon the delivery of the underlying physical cargo or when hedge is assessed to be ineffective. During the current financial period, the Group has reassessed and concluded that cash flow hedge does not appropriately reflect the trading activities of the Company and that economic hedges would best reflect the nature of the transactions undertaken by the Company. Accordingly, the Group recognised the fair value changes of the financial derivatives and the underlying physical cargoes in the income statement.

The change in accounting policy has been accounted for by restating prior period's comparatives and earnings per share, where material.

The impact of the change in accounting treatment was re-measured as at 31 December 2008 and management concluded that the effect of the change was immaterial and as a result, adjustments to the opening balances of retained earning were not effected.

- 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 2009	2Q 2008 (Restated)	1H 2009	1H 2008 (Restated)
Earnings per ordinary share for the period after deducting any provision for				
(a) Based on weighted average number of ordinary share on issue; and	1.64 US cents	2.60 US cents	2.21 US cents	3.82 US cents
(b) On a fully diluted basis	1.64 US cents	2.60 US cents	2.21 US cents	3.82 US 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 quarter ended and six months ended 30 June 2009 were computed based on net profit attributable to owners of the parent of US\$11,842,000 (2008: US\$18,779,000) and US\$15,952,000 (2008: US\$27,609,000) and weighted average share capital of 722,820,537 (2008: 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	
	30 Jun 09	31 Dec 08	30 Jun 09	31 Dec 08
Net asset value per ordinary share based on issued share capital at the end of the period reported on (US cents)	38.90	38.14	32.02	31.76
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 owners of the parent and the number of shares in issue of the Company as at 30 June 2009 and 31 December 2008.

A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

PERFORMANCE REVIEW

BACKGROUND

The principal activities of China Aviation Oil (Singapore) Corporation Ltd (the CAO Group) are those relating to the procurement and supply and trading of jet fuel, oil-trading activities and investment holding. Correspondingly, revenue streams comprised (i) jet fuel procurement and supply and trading (ii) results from oil-trading activities 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 2009 v 2nd Qtr 2008

The volume of jet fuel procured and supplied and international trading decreased by 0.07 million tonnes (4.46%) to 1.50 million tonnes for the second quarter ended 30 June 2009 ("2Q 2009") compared to 1.57 million tonnes for the second quarter ended 30 June 2008 ("2Q 2008"). The reduction was due mainly to the negative effects arising from the global financial crisis and the H1N1 epidemic which affected the volume of jet fuel imports to PRC, as compared to an increase in import volume in 2Q 2008 due to the Beijing Olympics. The volume for petrochemical trading activities ("Petrochem") which commenced in late December 2008, was 0.16 million tonnes for 2Q 2009.

Total revenue for 2Q 2009 decreased by US\$1,031.713 million (56.02%) to US\$809.991 million for 2Q 2009 from US\$1,841.704 million for 2Q 2008. This was mainly attributable to lower jet fuel prices in 2Q 2009, which averaged US\$64.75 per barrel (bbl) compared to an average of US\$147.42 per bbl in 2Q 2008.

Gross profit of US\$6.683 million for 2Q 2009 was derived from jet fuel procurement and supply and oil trading activities. The gross profit of US\$9.563 million for 2Q 2008 was derived from jet fuel procurement and supply inclusive of a one-off derivative gain of US\$4.758 million from the unwinding of a hedging contract. The Group's gross profit in 2Q 2009 is an increase of US\$1.878 million or 39.08% compared to US\$4.805 million in 2Q 2008 without the one-off gain of US\$4.758 million.

Bank interest income of US\$0.260 million for 2Q 2009, which was derived from time deposits placed with banks and financial institutions, was lower compared to US\$1.203 million for 2Q 2008. Besides the decline in interest rates globally and lower bank balances, the decrease was attributable mainly to the payment of US\$45.325 million (RMB 309,421,810) relating to the acquisition of 49% equity interest in TSN-PEKCL in February 2009.

Total expenses which comprised administrative expenses, other operating expenses and finance costs increased by US\$0.293 million (14.13%) to US\$2.366 million for 2Q 2009, compared to US\$2.073 million for 2Q 2008. This was mainly attributable to higher headcount of 44 in 2Q 2009 compared to 39 in 2Q 2008 and higher expenses incurred due to increase in business activities and higher information technology expenses.

CAO's 33% share of profits in Pudong was US\$6.207 million for 2Q 2009, a decline of US\$4.333 million from its share of profits of US\$10.540 million for 2Q 2008. The lower share of profits in Pudong was mainly due to a larger reduction in sales revenue vis-à-vis cost of sales as a result of lower jet fuel prices and sales volume. The high cost inventory was fully consumed in April 2009 and Pudong has been profitable since May 2009.

At end February 2009, the Group completed its acquisition of 49% equity interest in TSN-PEKCL and recorded its share of profits of US\$0.553 million for 2Q 2009.

The 39% share of profits in Xinyuan was US\$0.048 million for 2Q 2009 compared to share of loss of US\$0.020 million for 2Q 2008.

For 2Q 2009, the Group recorded profit before income tax of US\$11.842 million. As there is adequate tax losses carried forward from prior years to offset against the company's current period's profits, the company did not need to provide for income tax expense for 2Q 2009 and as a result, profit after tax is also US\$11.842 million. The profit for 2Q 2009 is a reduction of 39.72% and 36.94% compared to profit before income tax of US\$19.645 million and profit after income tax of US\$18.779 million for 2Q 2008. Earnings per share is 1.64 US cents for 2Q 2009 compared to 2.60 US cents for 2Q 2008, a decrease of 36.92%. The reduction in earnings was mainly due to the decline in the profits derived from investment in associates.

2nd Qtr 2009 v 1st Qtr 2009

For 2Q 2009, the volume of jet fuel procured and supplied and international trading increased by 0.10 million tonnes (7.14%) to 1.50 million tonnes from 1.40 million tonnes for the quarter ended 31 March 2009 ("1Q 2009"), mainly due to increase in trading activities.

Total revenue for 2Q 2009 was US\$809.991 million compared to US\$655.601 million for 1Q 2009, an increase of 23.55%. The increase in revenue was mainly attributable to jet fuel prices which averaged US\$64.75 per bbl in 2Q 2009 compared to US\$58.60 per bbl in 1Q 2009.

Gross profit for 2Q 2009 declined by US\$3.471 million (34.18%) to US\$6.683 million for 2Q 2009 compared to US\$10.154 million for 1Q 2009. The decline was mainly due to lower gross profit generated from trading activities in 2Q 2009.

The Group posted a foreign exchange gain of US\$0.457 million for 2Q 2009 compared to a foreign exchange loss of US\$1.880 million for 1Q 2009. The company maintained Singapore dollar bank balances for dividend payout in 2Q 2009 and operating expenses for the rest of the months in 2009, substantial foreign exchange losses were seen in 1Q 2009 due to the strengthening of the US dollar in 1Q 2009. The foreign exchange gain in 2Q 2009 was the result of the strengthening of the Singapore dollar against the US dollar.

Total expenses increased by US\$0.544 million (29.86%) to US\$2.366 million for 2Q 2009 from US\$1.822 million for 1Q 2009, mainly attributable to increased business activities and higher information technology expenses.

Share of profits in Pudong for 2Q 2009 was US\$6.207 million compared to share of loss of US\$2.903 million for 1Q 2009. The high cost inventory in Pudong was fully consumed in April 2009 and it has been profitable since May 2009.

Profit after income tax improved by US\$7.732 million to US\$11.842 million for 2Q 2009 compared to profit after income tax of US\$4.110 million for 1Q 2009. Earnings per share is 1.64 US cents for 2Q 2009 compared to 0.57 US cents for 1Q 2009, an improvement of 187.72%.

1H2009 v 1H 2008

Volume of jet fuel procured and supplied and international trading increased by 0.19 million tonnes or 7.03% to 2.89 million tonnes for the half year ended 30 June 2009 ("1H 2009") compared to 2.70 million tonnes for the half year ended 30 June 2008 ("1H 2008"), due mainly to the increase in trading activities.

Total revenue for 1H 2009 was US\$1,465.592 million compared to US\$2,846.301 million for 1H 2008, a decline of 48.51%. This was mainly attributable to lower average jet fuel prices of US\$61.79 per bbl for 1H 2009 compared to US\$132.19 per bbl for 1H 2008.

The Group recorded higher gross profit of US\$16.837 million in 1H 2009 compared to a gross profit of US\$12.487 million in 1H 2008, increase of 34.84%. Gross profit was derived from jet fuel procurement and supply and oil trading activities.

The Group reported a negative other operating income of US\$0.900 million in 1H 2009 compared to other income of US\$4.901 million in 1H 2008. The decline in other operating income was mainly attributable to translation losses from the bank balances denominated in Singapore dollar, resulting from the strengthening of US dollar against the Singapore dollar.

Total expenses increased by US\$0.261 million (17.92%) to US\$4.188 million for 1H 2009, compared to US\$3.927 million for 1H 2008. This was mainly attributable to:

- (i) higher average employees in 1H 2009 compared to 1H 2008;
- (ii) higher information technology expenses; and
- (iii) higher travelling expenses as a result of an increase in business activities.

Share of results of associates declined significantly by US\$11.194 million or 72.70% in 1H 2009 to US\$4.203 million compared to US\$15.397 million in 1H 2008. This decline was mainly attributable to the share of lower profits in Pudong of US\$3.304 million in 1H 2009 compared to US\$15.385 million in 1H 2008. TSN-PEKCL contributed US\$0.814 million in 1H 2009. Although the increase in the 39% share of profits in Xinyuan was large, it has no significant impact on the Company's financials for both 1H 2009 and 1H 2008.

The Group's profit after income tax was US\$15.952 million for 1H 2009 compared to US\$27.609 million for 1H 2008, decrease of 42.22%. Earnings per share is 2.21 US cents for 1H 2009 compared to 3.82 US cents for 1H 2008, decrease of 42.15%.

Statement of Financial Position

The Group's current assets stood at US\$492.287 million as at 30 June 2009 compared to US\$404.624 million as at 31 December 2008 ("FY 2008"). The increase of US\$87.663 million in current assets resulted mainly from:

- (i) increase of US\$114.099 million in trade and other receivables from US\$251.522 million as at the end of FY 2008 to US\$365.621 million as at the end of 2Q 2009 which was mainly due to relatively higher sales volume in June 2009 compared to December 2008, leading to higher receivable; and
- (ii) a decrease of US\$26.436 million in cash reserves which was mainly attributable to the dividend payout of US\$9.874 million in May 2009 and payment of US\$45.325 million for the acquisition of 49% equity interest in TSN-PEKCL which was partially offset by the receipt of US\$31.090 million of dividends from Pudong.

Non-current assets stood at US\$139.304 million as at the end of 2Q 2009, compared to US\$90.475 million as at the end of FY 2008. The increase of US\$48.829 million was mainly attributable to the cost of investment in TSN-PEKCL of US\$45.325 million and share of results of associates of US\$4.203 million.

Current liabilities which is trade and other payables, increased by US\$130.979 million to US\$350.378 million as at the end of 2Q 2009 compared to US\$219.399 million as at the end of FY 2008. This was largely due to the increase in trade payables due to the increase in volume.

The Company does not have any interest-bearing liabilities or obligations as at the end of 2Q 2009 and as at the end of FY 2008.

The Group's net assets stood at US\$281.213 million as at the end of 2Q 2009, or an equivalent of 38.90 US cents per share, compared to US\$275.700 million as at the end of FY 2008 or an equivalent of 38.14 US cents per share. The increase of 0.76 US cents per share in the Group's net assets was primarily due to an increase in retained earnings as a result of the profit after income tax generated in 1H 2009 which was partially offset by the dividend payout in May 2009.

Consolidated Statement of Cash Flows

2nd Qtr 2009 v 2nd Qtr 2008

Cash flows from operating activities, before changes in working capital, generated in 2Q 2009 was US\$4.102 million compared to US\$9.213 million generated in 2Q 2008. These were cash generated from operating activities after deducting non-cash items mainly the profits generated by associated companies and unrealised translation gain and losses relating to bank balances of US\$0.787 million in 2Q 2009 and US\$1.234 million recorded in 2Q 2008 respectively.

In 2Q 2009, changes in working capital items recorded were as follows: (i) cash used in trade and other receivables of US\$129.387 million and cash generated in trade and other payables of US\$88.924 million. The net cash used in operating activities was US\$36.361 million compared to cash used in operating activities of US\$34.722 million in 2Q 2008.

Cash flows generated from investing activities amounted to US\$0.244 million in 2Q 2009, compared to cash flows generated from investing activities of US\$1.339 million in 2Q 2008. The decrease was largely due to lower interest received of US\$0.246 million compared to US\$1.321 million in 2Q 2008.

Cash flows used in financing activities decreased to US\$9.874 million in 2Q 2009 compared to US\$36.683 million in 2Q 2008, mainly due to lower dividend payout of two Singapore cents per share in 2Q 2009 compared to seven Singapore cents per share in 2Q 2008.

1H2009 v 1H 2008

Cash flows from operating activities, before changes in working capital, generated in 1H 2009 was US\$11.525 million compared to US\$10.190 million generated in 1H 2008. This was largely due to the profits generated from trading activities.

In 1H 2009, changes in working capital items recorded were as follows: (i) cash used in trade and other receivables of US\$145.371 million and cash generated in trade and other payables of US\$131.084 million. The net cash used in operating activities was US\$2.762 million compared to cash used in operating activities of US\$74.043 million in 1H 2008.

Cash flows used in investing activities amounted to US\$13.727 million in 1H 2009, compared to cash flows generated from investing activities of US\$3.157 million in 1H 2008. The decrease was largely due to the US\$45.325 million used in the acquisition of the 49% equity interest in TSN-PEKCL and lower interest received of US\$0.600 million, offset by dividends received from Pudong of US\$31.090 million.

Cash flows used in financing activities decreased to US\$9.874 million in 1H 2009 compared to US\$36.683 million in 1H 2008, mainly due to lower dividend payout of two Singapore cents per share in 1H 2009 compared to seven Singapore cents per share in 1H 2008.

- 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.

Although the worst of the global financial crisis appears to be over, the overall global economies remain weak. In view of this, we continue to adopt a very cautious approach to our trading activities and will monitor the situation closely.

The fundamentals of CAO's core businesses have remained strong. Barring unforeseen circumstances, we expect CAO's performance to further improve in the second half of the year, in line with the expected recovery in China's economy. CAO will take proactive steps to further diversify its earnings base and actively seeking to invest in more synergetic oil-related assets.

- 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 2009.

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 2009 to 30 June 2009.

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	623,382
Sales revenue from related corporation of a corporate shareholder	0	47,395
Jet fuel procurement from related corporation of a corporate shareholder	0	317,944
Loss from trading of derivative financial instruments with related corporation of a corporate shareholder	0	136
Supply chain services rendered from related corporation	0	176
Supply chain services rendered from related corporation of a corporate shareholder	0	439
Transportation revenue of associate from related corporations	0	2,215

BY ORDER OF THE BOARD

Doreen Nah
Company Secretary
5 August 2009