CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
(Company Registration No. 199303293Z)
Second Quarter/Half Year Financial Statement For The Period Ended 30 June 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		
	2Q 2008 US$'000	**2Q 2007 US$'000**	**Variance + / -%**	**1H 2008 US$'000**	**1H 2007 US$'000**	**Variance + / -%**
Revenue (Note 1)	1,835,358	597,526	207%	2,840,170	1,145,853	148%
Cost of sales	(1,831,660)	(594,723)	208%	(2,833,100)	(1,140,363)	148%
Gross Profit (Note 2)	3,698	2,803	32%	7,070	5,490	29%
Other operating income						
- Bank interest income	1,203	2,061	-42%	2,929	3,749	-22%
- Gain on derivatives (Note 3)	4,758	-	NM	4,758	-	NM
- Gain on disposal of investment (Note 4)	-	160,165	NM	-	160,165	NM
- Others (Note 5)	432	4,029	-89%	1,972	3,984	-51%
Administrative expenses	(1,868)	(2,074)	-10%	(3,529)	(4,055)	-13%
Other operating expenses	(274)	(3,375)	-92%	(635)	(3,348)	-81%
Finance costs (Note 6)	(147)	(3,997)	-96%	(212)	(6,429)	-97%
Share of results of associates (net of tax)	10,520	7,113	48%	15,397	12,786	20%
Profit before taxation	18,322	166,725	-89%	27,750	172,342	-84%
Income tax expense (Note 7)	(866)	(27,064)	-97%	(1,249)	(27,064)	-95%
Profit after taxation	17,456	139,661	-88%	26,501	145,278	-82%
Attributable to:						
Equity holders of the Company	17,456	140,222	-88%	26,501	145,873	-82%
Minority interest	-	(561)	NM	-	(595)	NM
Profit for the period	17,456	139,661	-88%	26,501	145,278	-82%

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

	Group					
	2Q 2008 US$'000	**2Q 2007 US$'000**	**Var + / - %**	**1H 2008 US$'000**	**1H 2007 US$'000**	**Var + / - %**
Depreciation of property, plant and equipment	(84)	(122)	-31%	(170)	(247)	-31%
Amortisation of intangible assets	(26)	-	NM	(52)	-	NM
Foreign exchange gain (Note 5)	379	3,799	-90%	1,919	3,706	-48%
Impairment loss on plant, property and equipment	-	(2,715)	NM	-	(2,715)	NM
Interest expense (Note 6)	-	(3,934)	NM	-	(6,145)	NM
Underprovision of current taxation in respect of prior years	-	(1,723)	NM	-	(1,723)	NM

Note 1: The Group's revenue for 2Q 2008 was US$1.8 billion compared to US$0.6 billion for 2Q 2007 and US$2.8 billion for 1H 2008 compared to US$1.1 billion for 1H 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 2Q 2008 was 1.57 million Metric Tonnes ("MT"), an increase of 72.5% from 0.91 million MT in 2Q 2007. The total volume procured and supplied was 2.70 million MT in 1H 2008 compared to 1.83 million MT in 1H 2007, an increase of approximately 47.5%.

Note 2: Gross profit was derived mainly from the fixed margin per barrel for jet fuel procured and supplied to major airports in China. In addition, the Company commenced hedging activities in February 2008 that resulted in US$404,000 gross profit, contributed by US$230,000 in hedging profits and US$174,000 in freight optimisation. The gross profit from hedging activities represents 10.9% and 5.7% of the gross profit for 2Q 2008 and 1H 2008 respectively.

Note 3: This relates to derivatives gain 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 was due to fluctuations of jet fuel prices and the high inventory level of the customer. This 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 2Q 2008.

Note 4: The gain in 1H 2007 was derived from the sale of the 5% interest in Compania Logistica de Hidrocarburos, S.A. ("CLH").

Note 5: Others comprised net foreign exchange gain mainly attributable to the appreciation of Renminbi and Singapore dollar against the US dollar for 2Q 2008 and 1H 2008. For 2Q 2007 and 1H 2007, this mainly comprised net foreign exchange gain due to the appreciation of Euro against the US dollar.

Note 6: Finance costs in 2Q 2008 and 1H 2008 comprised mainly bank charges relating to the issuance of Letters of Credit. There was no interest expense incurred in 2Q 2008 and 1H 2008 as the deferred debts due to the Scheme Creditors were fully repaid in May 2007. The interest expense in 2Q 2007 and 1H 2007 related to the deferred debt and accelerated amortisation of fair value interest adjustment that resulted from the full settlement of the deferred debt in May 2007.

Note 7: In 2Q 2008, the tax provision was US$0.9 million on current year profits based on 10% concessionary tax rate under the Global Traders' Programme ("GTP"). For 1H 2008, the current year tax provision was US$1.2 million based on 10% concessionary tax rate under GTP on 1H 2008's profits. Income tax expense in 2Q 2007 and 1H 2007 comprised capital gain tax of US$25.4 million 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 Jun 08 US$'000	**As at 31 Dec 07 US$'000**	**As at 30 Jun 08 US$'000**	**As at 31 Dec 07 US$'000**
Non-current assets				
Property, plant and equipment	6,667	6,808	6,667	6,808
Intangible assets	225	269	225	269
Associates (note 1)	119,735	97,108	35,911	35,911
	126,627	104,185	42,803	42,988
Current assets				
Trade and other receivables (Note 2)	705,323	283,460	705,323	283,460
Cash and cash equivalents (Note 3)	193,454	300,472	192,514	299,517
	898,777	583,932	897,837	582,977
Total assets	1,025,404	688,117	940,640	625,965
Equity attributable to equity holders of the Company				
Share capital	215,573	215,573	215,573	215,573
Reserves	22,658	14,321	1,108	-
Accumulated profits/(losses) (Note 4)	28,506	38,688	(33,977)	(7,789)
Total equity	266,737	268,582	182,704	207,784
Current liabilities				
Trade and other payables (Note 2)	753,567	413,232	753,565	413,215
Current tax payable	5,100	6,303	4,371	4,966
Total liabilities	758,667	419,535	757,936	418,181
Total equity and liabilities	1,025,404	688,117	940,640	625,965

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

Note 2 - Trade and other receivables of US$705.3 million comprised trade receivables, intercompany receivables, prepayments, deposits and other receivables. Trade and other payables of US$753.6 million comprised trade payables, accrued operating expenses and other payables. Trade receivables of US$698.4 million represent less than one month’s invoiced sales. Trade payables of US$746.4 million represent cost of sales recognised within the month of June 2008 and approximately US$49.6million was due to timing differences in receipts from trade receivables and payments to trade suppliers. This amount was due and paid to suppliers in July 2008.

Note 3 - The decrease in cash and cash equivalents was due to the timing differences in receipts from trade receivables and payments to trade suppliers. The Company also paid a total dividend 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$34.0 million as at 30 June 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.

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 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 Jun 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 June 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			
	2Q 2008 US$'000	**2Q 2007 US$'000**	**1H 2008 US$'000**	**1H 2007 US$'000**
Operating Activities				
Profit before taxation	18,322	166,725	27,750	172,342
Adjustments for items not involving outlay of funds:-				
Depreciation of property, plant and equipment	84	122	170	247
Amortisation of intangible assets	26	-	52	-
Gain on disposal of property, plant and equipment	(53)	-	(53)	-
Gain on disposal of non-current assets held for sale	-	(160,165)	-	(160,165)
Share of profits of associates	(10,520)	(7,113)	(15,397)	(12,786)
Impairment loss on property, plant and equipment	-	2,715	-	2,715
Interest income	(1,203)	(2,061)	(2,929)	(3,749)
Interest expenses	-	3,859	-	6,145
Unrealised exchange differences	1,234	3	(511)	94
	7,890	4,085	9,082	4,843
Changes in working capital				
Inventories	-	(59)	-	(446)
Trade and other receivables	(425,612)	(29,220)	(422,013)	53,128
Trade and other payables	383,019	5,452	341,344	(36,427)
Cash (used in)/generated from operations	(34,703)	(19,742)	(71,587)	21,098
Income tax paid	(19)	(25,778)	(2,456)	(25,778)
Cash flows from operating activities	(34,722)	(45,520)	(74,043)	(4,680)
Investing Activities				
Interest received	1,321	1,849	3,141	3,505
Purchase of property, plant and equipment	(55)	(61)	(57)	(114)
Purchase of intangible assets	(8)	-	(8)	-
Proceeds from sale of property, plant and equipment	81	-	81	-
Proceeds from disposal of non-current assets held for sale	-	224,663	-	224,663
Cash flows from investing activities	1,339	226,451	3,157	228,054
Financing Activities				
Interest paid	-	(840)	-	(2,459)
Dividends paid	(36,683)	(9,529)	(36,683)	(9,529)
Payment to scheme creditors	-	(76,978)	-	(136,963)
Decrease in escrow account balance	-	4,171	-	4,119
Cash flows from financing activities	(36,683)	(83,176)	(36,683)	(144,832)
Net (decrease)/increase in cash and cash equivalents	(70,066)	97,755	(107,569)	78,542
Cash and cash equivalents at beginning of the period	264,794	66,168	300,472	85,376
Effect of exchange rate fluctuations on cash held (Note 1)	(1,274)	(86)	551	(81)
Cash and cash equivalents at end of the period	193,454	163,837	193,454	163,837

Note 1: This was mainly due to the effect of unrealised exchange gain relating to bank balances in Singapore dollar, which has resulted from the weakening 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	-	-	1,057	-	-	1,057	14	1,071
Profit/(loss) for the period	-	-	-	-	145,873	145,873	(595)	145,278
Total recognised income and expense for the period	-	-	1,057	-	145,873	146,930	(581)	146,349
Dividends paid					(9,529)	(9,529)	-	(9,529)
At 30 June 2007	215,573	-	4,271	6,925	16,335	243,104	492	243,596
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	-	-	7,229	-	-	7,229	-	7,229
Effective portion of changes in fair value of cash flow hedge	-	1,108	-	-	-	1,108	-	1,108
Net gain recognised directly in equity	-	1,108	7,229	-	-	8,337	-	8,337
Profit for the period	-	-	-	-	26,501	26,501	-	26,501
Total recognised income for the period	-	1,108	7,229	-	26,501	34,838	-	34,838
Dividends paid	-	-	-	-	(36,683)	(36,683)	-	(36,683)
At 30 June 2008	215,573	1,108	14,517	7,033	28,506	266,737	-	266,737

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	-	-	145,565	145,565
Dividends paid	-	-	(9,529)	(9,529)
At 30 June 2007	215,573	-	(17,641)	197,932
At 1 January 2008	215,573	-	(7,789)	207,784
Effective portion of changes in fair value of cash flow hedge/Net gain recognised directly in equity	-	1,108	-	1,108
Profit for the period	-	-	10,495	10,495
Total recognised income for the period	-	1,108	10,495	11,603
Dividends paid	-	-	(36,683)	(36,683)
At 30 June 2008	215,573	1,108	(33,977)	182,704

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 June 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.

	2Q 2008	2Q 2007	1H 2008	1H 2007
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	2.41 cents	19.40 cents	3.67 cents	20.18 cents
(b) On a fully diluted basis	2.41 cents	19.40 cents	3.67 cents	20.18 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 June 2008 were computed based on net profit attributable to equity holders of the Company of US$26,501,000 (2007: US$145,873,000) 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	
	Jun 08	Dec 07	Jun 08	Dec 07
Net asset value per ordinary share based on issued share capital at the end of the period reported on (US cents)	36.90	37.16	25.28	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 June 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.

2Q 2008 vs 2Q 2007

The Group's revenue increased by 207% to US$1.8 billion for 2Q 2008 compared to US$0.6 billion for 2Q 2007 mainly attributable to higher volume of jet fuel procured and supplied as well as higher fuel prices. Jet fuel price averaged US$147.4 per barrel in 2Q 2008, an increase of approximately 79.8% from an average price of US$82.0 per barrel in 2Q 2007. The total volume of jet fuel procured and supplied was 1.57 million MT in 2Q 2008 compared to 0.91 million MT in 2Q 2007, an increase of approximately 72.5%.

The Company has recorded a derivatives trading gain of US$4.8 million in 2Q 2008. A hedging contract originally entered into by the Company to hedge an underlying physical cargo became paper swaps after the cancellation of the physical cargo. The cancellation of the physical cargo was due to the fluctuation of jet fuel prices and the high inventory level of the customer and was mutually agreed between the customer and the Company. The Company made a Bookout arrangement with a supplier which the Company had ordered another physical cargo in a separate transaction. A Bookout involved only cash settlement with no physical delivery of the cargo. This 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 2Q 2008.

Interest income derived from deposits placed with banks and financial institutions was US$1.2 million in 2Q 2008 compared to US$2.1 million in 2Q 2007. The lower interest income was due to lower interest rates on fixed deposits.

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 2Q 2007.

Other operating income comprised mainly foreign exchange gain attributable to the appreciation of the Renminbi and Singapore dollar against the US dollar which amounted to US$0.4 million in 2Q 2008. The exchange gain of US$3.8 million in 2Q 2007 was due to the appreciation of the Euro against the US dollar.

The reduction in administrative expenses was mainly due to better cost-control and a lower average number of employees of 39 in 2Q 2008 compared to 45 in 2Q 2007.

Other operating expenses in 2Q 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 operating expenses in 2Q 2007 were mainly due to the impairment loss of US$2.7 million made on the oil storage properties held by the Group's then 80% subsidiary, China Aviation Oil Xinyuan Petrochemical Co Ltd ("Xinyuan") before the Group divested 41% of its stake in August 2007.

Finance costs in 2Q 2008 comprised mainly bank charges relating to the issuance of Letters of Credit. Interest expense relating to the deferred debt due to Scheme Creditors was US$0.7 million in 2Q 2007. There was no interest expense in 2Q 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, Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("Pudong"), was US$10.5 million for 2Q 2008 compared to US$7.1 million for 2Q 2007, an increase of 47.9%. Excluding the allowance for impairment loss on trade receivables of US$3.1 million in 2Q 2007, the share of results of Pudong in 2Q 2008 would be an increase of 2.9% compared to 2Q 2007.

The Group's profit attributable to shareholders was US$17.5 million for 2Q 2008 compared to US$140.2 million for 2Q 2007. Excluding the net gain on disposal of CLH, the Group's profit attributable to shareholders would be US$5.4 million in 2Q 2007.

1H 2008 vs 1H 2007

The Group's revenue for 1H 2008 was US$2.8 billion compared to US$1.1 billion for 1H 2007, an increase of 148%. 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 2.70 million MT in 1H 2008 compared to 1.83 million MT in 1H 2007, an increase of approximately 47.5%. Average jet fuel price increased from US$78.7 per barrel in 1H 2007 to US$132.2 per barrel in 1H 2008. The increase in total volume of jet fuel procured and supplied for the first half under review was due to a rise in demand for jet fuel imports in China corresponding to a decline in China's domestic production and supply of jet fuel.

Interest income was US$2.9 million in 1H 2008 as compared to US$3.7 million in 1H 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$1.9 million in 1H 2008 against a higher exchange gain of US$3.7 million in 1H 2007. This was mainly attributable to the appreciation of the Renminbi and Singapore dollar against the US dollar.

Administrative expenses decreased mainly due to the decrease in the average number of employees to 40 in 1H 2008 from 44 in 1H 2007. Higher payroll and related expenses in 1H 2007 was also due to payment in-lieu of notice for some redundant staff.

Other operating expenses in 1H 2008 were US$0.6 million against US$3.3 million in 1H 2007, a reduction of 81%. Higher other operating expenses in 1H 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$0.2 million in 1H 2008 compared to US$6.4 million in 1H 2007. In 1H 2008, the amount relates to bank charges on the issuance of Letters of Credit whereas finance costs in 1H 2007 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.

The Group's share of the results of its associate, Pudong, was US$15.4 million for 1H 2008 compared to US$12.8 million for 1H 2007, an increase of 20.3%. In 1H 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 1H 2008 would be a decrease of 3.1% compared to 1H 2007. The decrease in the Group's share of results was due to decrease in Pudong's results as a result of higher interest expenses and an exchange loss 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 slow collection of receivables, more short-term loans with higher interest rates were obtained to settle its payables when they were due. Acute strengthening of Renminbi against the US dollar also contributed to the decrease in Pudong's results. 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 1H 2008 also includes the Group's share of profits of its 39% stake in Xinyuan of US$0.01 million.

The Group's profit attributable to shareholders was US$26.5 million for 1H 2008 compared to US$145.9 million for 1H 2007. Excluding the net gain on disposal of CLH, the Group's profit attributable to shareholders would be US$11.1 million in 1H 2007. The Group's profit for 1H 2008 is an increase 138.7% compared to 1H 2007 without the net gain from the disposal of CLH.

Financial position and Cash Flow review

The Group's net equity decreased by 0.7% to US$266.7 million as at 30 June 2008 from US$268.6 million as at 31 December 2007. This was attributable to the profit after tax in 1H 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 1H 2008. The Company paid ordinary dividend amounting to US$9.5 million in 1H 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 methodology pursuant to FRS 39, the hedge contracts are subject to mark-to-market valuation that have resulted in a positive change in fair value of US$1.1 million as at 30 June 2008 which was recognised in hedging reserve in equity. Had the physical cargoes been valued at the prevailing market price as at 30 June 2008, this would have resulted in a corresponding negative 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 June 2008, the Group's cash and cash equivalents was US$193.5 million as compared to US$300.5 million as at 31 December 2007. This was mainly due to timing differences on the receipts from trade receivables and payments to trade payables. The reduction in cash and cash equivalents as at 30 June 2008 was also due to the dividend payment of US$36.7 million in the first half of 2008. 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 June 2008, the Company has US$1.7 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 1H 2008.

The Company does not have any interest-bearing liabilities or obligations as at 30 June 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. We expect China's jet fuel demand to continue to grow in line with the growth in air traffic volume. However, China's jet fuel import demand is crucially dependent on the level of jet fuel production in China's domestic refineries.

CAO has commenced derivative trading of jet fuel on a small scale in the quarter under review and will focus on growing the jet fuel trading business cautiously and within our means and resources. However, given the current high oil prices and volatile market conditions, we may not commence trading of other oil products during the second half of 2008 unless market conditions become more favourable.

The volatile high oil prices have practically no effect on our performance as our gross profit is dependent on the fixed margin per barrel of jet fuel procured. The volume procured is a crucial factor in determining our performance.

Barring any unforseen 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 June 2008.

13 Interested Person Transactions.

<u>Pursuant to Rule 920(1)(a)(ii) of the Listing Manual</u>

Aggregate value of interested person transactions entered from 1 January 2008 to 30 June 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	1,528,719
Jet fuel procurement from related corporation	0	35,132

BY ORDER OF THE BOARD

Doreen Nah
Company Secretary

5 August 2008

CHINA AVIATION OIL (SINGAPORE) CORPORATION LTD
Registration No. 199303293Z

CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(4) OF THE LISTING MANUAL

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the half year ended 30 June 2008 to be false or misleading in any material respect.

ON BEHALF OF THE BOARD OF DIRECTORS

Lim Jit Poh Director	Meng Fanqiu Director

5 August 2008