China Aviation Oil (Singapore) Corporation Ltd
中国航油（新加坡）股份有限公司

China Aviation Oil Signs US$160 Million Five-Year Syndicated Term Credit Facility With Ten Banks Led By Societe Generale Asia

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SINGAPORE, July 18, 2003 - SGX Main Board-listed China Aviation Oil (Singapore) Corporation Ltd ("CAO") today sealed a US$160 million transferable term credit facility (the "Facility") with ten international banks. The signing ceremony was graced by his Excellency Mr. Zhang Jiuhuan, Ambassador of the People's Republic of China to The Republic of Singapore.

The Facility agent bank and mandated arranger was Societe General Asia Ltd. Other lenders were: China Everbright Bank; The Industrial and Commercial Bank of China, Shanghai Municipal Branch; China Merchants Bank Co., Ltd; Beijing City Commercial Bank; NORD / LB Norddeutsche Landesbank Girozentrale, Singapore Branch; Shanghai Pudong Development Bank; SG Asia / Societe Generale, Singapore Branch; and Natexis Banques Populaires, Singapore Branch. Bank of Communications, Shanghai Branch and United Overseas Bank Limited, Shanghai Branch were Senior Managers.

Optimal timing

Three factors have contributed to CAO's decision to pursue this facility.

First is the current low-interest rate environment. Besides the prevailing low rates, this facility bears an interest rate of only LIBOR plus eighty basis points. The facility requires neither security, nor a guarantee, nor a letter of comfort by the parent company. The effective borrowing rate at this time is only around 2 percent, a very attractive borrowing rate in light of the likely rebound in the global economy. This facility thus offers a win-win arrangement that benefits both the syndicate and the company.

A second factor has to do with CAO's goal of optimal capital management. Said Chen Jiulin, Managing Director and CEO, "Our desired capital structure involves the use of debt, but because of timing and safety considerations, and our conservative approach to our capital structure, we have not taken on any debt yet. However, upon long and detailed analysis, we now believe the time is right for us to borrow at a level that will optimise our capital structure, given our strategic needs. This Facility, even with a full draw-down, will leave our gearing at reasonable levels. It therefore will surely help us to increase shareholder value."

Finally, CAO has investment opportunities. There are several opportunities currently under consideration, including possibilities in the US, China and ASEAN. It is naturally a key criterion of CAO's strategy that new investments be profitable.

Strategic plan on track

CAO is an integrated business enterprise with strategic investments in oil-related logistics and infrastructure, as well as operations in international oil trading and jet fuel procurement. The company currently has a 5 per cent equity interest, with a board seat, in Compania Logistica de Hidrocarburos, (CLH), the largest oil facilities and distribution company in Spain. Thus CAO participates in the management of CLH on a par with MNCs like Shell and bp, which have same shareholdings. CAO has also acquired a 33 per cent stake in the jet fuel supply company at Shanghai Pudong International Airport. Such a stake makes CAO the second-largest shareholder in the company. This associate company owns the airport's aviation oil infrastructure, and also enjoys exclusive jet fuel supply rights at the Pudong airport, the second largest airport in China. The investments in CLH and Pudong together contribute over 60% of CAO's total pre-tax profits.

Impact on earnings

The facility bears an interest rate of three- to six-month LIBOR plus 80 basis points. At present the six-month LIBOR rate is around 1.13%. A full draw-down of the entire facility, therefore, would result in US$3.08 million in new annual interest expenses. However, since the first half of the financial year is essentially complete, the impact on FY2003 earnings will be at most half of this amount.

However, this analysis does not take into account CAO's use of the facility. It is probable that some or all of the proceeds of the loan will pay for one or more investments. The criteria of profitability for these investments applies, as discussed above.

Servicing the loan

In deciding to proceed with this facility, the company analysed closely its ability to repay the liability. It determined that it will easily be able to meet all cash demands arising from the new loan. Interest and principal will be serviced by cash flows from the CAO group's internal resources, including new businesses. The bulk of the servicing will come from funds generated by the existing strategic investments, international oil trading activities and jet fuel procurement business.

Investment opportunities

Mr Chen said: "At present, CAO is considering several attractive investment proposals in the Americas, Asia, and China. Our investment criteria are firm. First, any new project must be oil-related. Second, it must offer the opportunity for synergy with our existing business lines, and more broadly with our three-pronged strategy. Third, it must be available to us at a fair price. We will not chase projects just because they meet the first two criteria. There is no time constraint on our decision process. Rather, the principle that cannot be violated is the quality of the investment."

CAO's Chairman Mr Jia Changbin said, "We are proud that the different parts of CAO's strategy are coming together so well. CAO has transformed significantly in recent years, first from a shipbroker to a small jet fuel procurement company, and then to a listed multinational oil and infrastructure enterprise. CAO has proceeded on a track of rapid growth and carefully exploited the opportunities with which it has been presented. This credit facility strengthens our negotiating position and opens up new possibilities for our next phase of transformation to further enhance shareholder value. I wish to thank the ten banks, particular SG Asia, for their support."

Said Mr Francis Repka, Deputy Chief Executive of SG Asia, " This is CAO's debut syndicated loan issue and we are delighted with the support received from the international banking community. This strongly attests to the stature and strength of CAO as one of the leading overseas Chinese enterprises in Singapore."

By Order of the Board
Adrian Chang
Company Secretary

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About China Aviation Oil (Singapore) Corporation Ltd ("CAO")

Listed on SGX in December 2001, CAO is leveraging on the rapidly growing Chinese aviation industry to become a global market player on the premise of its three-pronged strategy to stabilise and enhance profit streams. The only publicly listed entity of its parent company, China Aviation Oil Holding Company, a large state-owned aviation transportation logistics group, CAO is the centrepiece of CAOHC's strategy to expand into international markets and invest in the global oil-related industry.

CAO holds a 33% stake in Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd (SPIA/AFSC), Pudong airport's sole jet fuel supplier and owner of its refuelling and storage facilities. It also has a strategic 5% stake with board representation in Compania Logistica de Hidrocarburos (CLH), Spain's leading oil carrier and owner of its largest network of oil pipelines and storage facilities. Today, CAO trades globally in fuel oil, gas oil, crude oil, petrochemical products and oil derivatives and handles virtually 100% of China's total jet fuel imports. Annual sales revenue was S$1.69 billion in 2002 and market scope has expanded beyond China to ASEAN, the Far East and the USA.