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

World Economic Forum: 'Asian Company, Global Future: Expanding and Investing Abroad'

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Good afternoon to you all. I'm Chen Jiulin, managing director and CEO of China Aviation Oil (Singapore) Corporation Limited, or CAO in brief.

The booming Chinese economy has captured the attention of the world in recent years. Between 1978 and 2002, Chinese GDP rose by an average of 9.4% a year. In the coming ten years, it will continue to rise by 7% or more a year.

As a result, multinational companies have flocked to China. Foreign Direct Investment in China could reach US$60 billion this year, compared with US$53 billion in 2002. This makes it the biggest destination for FDI in the world.

What's more interesting, though, is that Chinese companies are venturing abroad as well. In the spirit of WTO, the 16th Party Congress and 15th People's Congress have endorsed overseas expansion. Nearly 7,000 Chinese companies have presence in more than 160 countries around the world.

This presence involves three major aspects - operations, investments and capital-raising. The second and third of these are perhaps the most interesting.

Chinese companies may acquire projects abroad, such as the oilfield stake in Indonesia recently acquired by CNOOC. This trend is accelerating at present, and should remain strong for several years to come.

IPOs as well have drawn foreign attention to the strength of Chinese enterprises. Over 150 influential Chinese companies have listed overseas - in Hong Kong, New York, London and Singapore. In fact, there are 22 Chinese companies listed in Singapore alone.

China Aviation Oil is only one example of this trend of overseas expansion by Chinese companies. Our company is Singapore-listed, with 25% of its shares in public hands. The remaining 75% is owned by China Aviation Oil Holding Company, a large Chinese state-owned company that manages China's jet fuel infrastructure and supplies 108 domestic and foreign airlines.

Growth at CAO has been dramatic. Turnover has had a CAGR of 368% since 1997, and in 2002 reached US$4 billion. Pretax profit last year was US$38 million, for a 211% CAGR over the same period. And net assets of US$168,000 in 1997 have grown to US$114 million as of June this year, a rise of 680 times.

Our business model has three parts, comprising oil-related strategic investments, international oil trading and jet fuel procurement for import to China.

At the moment we have two major investments - stakes in the Shanghai Pudong airport fuel infrastructure company, and in Spain's jet fuel and oil pipeline company, CLH. Both of these are profitable, high-growth businesses with great potential.

Our international oil trading business covers a broad range of oil products, including crude oil, gasoil, fuel oil and others. It is a significant contributor to our bottom line and gives us international recognition in the oil markets.

Our jet-fuel procurement business provides one-third of China's total consumption, stabilizes our profit and gives us a key means to benefit from the strong growth in the Chinese economy.

The growth in Chinese overseas operations does raise several significant questions.

- why are Chinese companies expanding overseas when the domestic market is so strong already?

- how do Chinese enterprises expand internationally?

- what problems do they face in the process?

I am willing to discuss these issues with you here today. Thank you.