

# Silk Road Weekly

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■ Walking in Cambodia's  
"Shenzhen Special  
Economic Zone"

■ A new civilization belt  
along Belt and Road

■ Investment environment  
and policies of Guangxi

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## **Xinhua Silk Road Weekly**

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## Content

<b>Cover Story</b>	<b>4</b>
President Xi vows mutual "Belt and Road" benefit	4
Walking in Cambodia's "Shenzhen Special Economic Zone"	4
<b>Policy Review</b>	<b>6</b>
Northeast China's integration of Belt and Road Initiative to add impetus to revival	6
Vietnam continues to impose anti-dumping tax on imported steel	7
China expresses concern on EU's new prior-surveillance system for steel imports	7
<b>Data This Week</b>	<b>8</b>
China's exports surge, imports dip in March	8
Caixin China manufacturing PMI edges down to 49.4	10
<b>Silkroad Insights</b>	<b>10</b>
A new civilization belt along Belt and Road	10
Asia and Europe should build new framework of investment, financing for "B&R"	15
<b>Company News</b>	<b>17</b>
Chinese firm wins USD620 mln EPC contract for oil refinery in Cambodia	17
COSCO Shipyard delivers giant livestock carrier	18
Bank of China approved to start business in Turkey	18
<b>Silkroad Provinces</b>	<b>19</b>
Investment environment and policies of Guangxi	19
Construction starts on multimodal transportation customs supervision center in Urumqi	21
<b>Project Info</b>	<b>22</b>
AIIB, ADB sign MOU on cooperation	22
Bangladesh approves multi-billion USD China-financed rail project	22
Sino-Europe international cargo train alliance established in Xinjiang	23
Investment-inviting Projects Info	23
<b>Backgrounder</b>	<b>26</b>
China-Portuguese Speaking Countries Cooperation and Development Fund	26



## Cover Story

### President Xi vows mutual "Belt and Road" benefit

BEIJING -- President Xi Jinping has promised that China is looking to serve the long-term interests of all countries involved in the Belt and Road Initiative.

Xi made the remarks on April 29 at a group study attended by members of the Political Bureau of the Communist Party of China (CPC) Central Committee on the history of the Silk Road and Maritime Silk Road.

"The Belt and Road Initiative, though initiated by China, is not only about China," he said. "I hope people in all countries along the Belt and Road will actually feel the benefit brought by the initiative."

It aims to boost not only China's development but also that of other countries, Xi said. "While taking care of our own interests, we will give more consideration and care to the interests of other countries," he said.

The Belt and Road Initiative, which comprises the Silk Road Economic Belt and the 21st Century Maritime Silk Road, was brought up by Xi in 2013 and covers about 4.4 billion people in more than 60 countries, or 63 percent of the global population.

Since the Han Dynasty about 2,000 years ago, the ancient Silk Road starting from Chang'an, now northwest China's Xi'an city, has served as a route for international trade and cultural exchange connecting China with various nations through Eurasia. There were also other routes starting from south China and spreading outwards by sea, called the Maritime Silk Road.

He urged Chinese companies to value not only economic returns from their investment projects in foreign countries but also their reputation as law-abiding and responsible entities.

Cultural and people-to-people exchanges are also an important part of the initiative, Xi said, calling for mutual understanding and respect among all involved countries.

He also called for enhanced security cooperation under the initiative.

### Walking in Cambodia's "Shenzhen Special Economic Zone"

BEIJING -- Sihanoukville Special Economic Zone (SSEZ), located in Sihanoukville, the only international port city in Cambodia and one of the first batch of Sino-foreign economic and trade cooperation zones abroad, is becoming, as people say, the Cambodian counterpart of China's "Shenzhen Special Economic Zone".

SSEZ is the largest special economic zone of Cambodia, co-operated by east China-headquartered garment producer - Hodo Group together with another three Wuxi-based Chinese companies as well as the Cambodia International Investment Development Group Co., Ltd.

"Currently, SSEZ has attracted nearly 100 enterprises to start businesses there, of which more





than 70 companies have begun production and over 70 percent are from China," said Qian Wenhua, head of brand culture department of Hodo Group and director of SSEZ Company, the main developer and constructor of SSEZ.

In recent years, SSEZ has been a favored investment destination for investors, in particular Chinese investors, and it pocketed investment of 2.04 billion US dollars in 2014, up as much as 990.9 percent from 2013.

As Qian noted, companies pick Cambodia's SSEZ to run business for in a large part its preferential tax policies and relatively low labor cost.

In SSEZ, firms can enjoy a 6 to 9-year long period of being exempted from paying business income tax (BIC) and after the BIC exemption period, businesses of the kind shall pay 20 percent BIC. Regarding value-added tax (VAT), Cambodia imposes zero VAT on production equipment, building materials and etc. for SSEZ-based companies.

What's more, the country has an appealing trade environment, free of any anti-dumping and anti-subsidy investigations by developed countries and enjoying special preferential trade policies and additional duty exemption offered by European and American economies.

Furthermore, Cambodia sets no restriction over influx and outflow of foreign exchanges and businesses invested by domestic and foreign capital in Cambodia can enjoy the same treatment. An official of the Council for the Development of Cambodia (CDC) once told media that "foreign-funded enterprises can do what Cambodian entities do, including rights of same coverage such as 100 percent entry of foreign capital into all industries."

To help newcomers, SSEZ provides them with knowledge about related Cambodian laws, regulations and business-starting procedures and join hands with other institutions or entities in convening activities on financial services introduction, law consulting, tax and policies interpretation.

Among these services, the most eye-catching is the "One Stop Services" which allows a business to cope with all procedures within the SSEZ, backed by CDC, customs, labor, commodity inspection, and commerce authorities as well as the provincial government of Preah Sihanouk Province all setting up representative offices there.

Besides, SSEZ operators lay a sound foundation for the zone's sustainable development via providing employment and welfare guarantee for local citizens, fostering diversified economic development, founding educational institutions, and participating in charity course.

At present, light industry, garment, and wood flooring sectors pillar up the industrial economy of SSEZ. Given its proximity to the Sihanoukville Autonomous Port, equipment producers and port business are expected to gain more opportunities for development, noted Qian.

In the future, the SSEZ targets raising the number of in-zone businesses to 300, employing 100,000 industrial workers and building a new city with 200,000 population and comfortable living conditions.



## Policy Review

### Northeast China's integration of Belt and Road Initiative to add impetus to revival



*(Photo 1: This is a machine tool manufacturing workshop in Shenyang Machine Tool Co. Ltd. The Communist Party of China (CPC) Central Committee and the State Council jointly published a document called "Certain Opinions Regarding the Comprehensive Revival of Old Industrial Bases Including the Northeast" on April 26, expediting the revitalization of the northeast at the beginning of the 13<sup>th</sup> Five-Year Plan period (2016-2020).)*

BEIJING -- China will rejuvenate its northeast rustbelt region through more reforms and economic restructuring, according to a policy document called "Certain Opinions Regarding the Comprehensive Revival of Old Industrial Bases Including the Northeast" released April 26.

Upon the document, the central government has further clarified the position of northeast region in the Belt and Road Initiative and proposed new targets in a bid to make the initiative add impetus to the region's comprehensive revival.

To achieve the goal, the document has put forward to promote the alignment of China's Belt and Road Initiative with Russia-led Eurasian Economic Union, construction of China-Mongolia-Russia economic corridor, and integration of China's northeast revival with Russian Far East Development.

Insiders came up with several concrete measures in these aspects. Firstly, China should accelerate the interconnection projects between China's northeast region and Northeast Asia. Experts held that infrastructure construction like international transportation corridor and natural gas pipeline is still the key area for bilateral cooperation.

Secondly, China's northeast region should actively engage in the Russian Far East



Development. Chinese enterprises are encouraged to participate in the exploration of energy and mineral resources in Russian Far East and infrastructure projects like road, bridge and port construction, according to an expert from Heilongjiang Province.

Thirdly, a high-level coordination mechanism should be established so as to upgrade the whole efficiency.

Fourthly, China's northeast region should take the opportunity to promote industrial upgrading under the Belt and Road Initiative. Lin Boqiang, director at the Energy Economics Research Center at Xiamen University, advised Chinese enterprises to actively take part in the supply-side reform, commit in industrial upgrading, and engage in the construction of overseas consumption industrial parks so as to improve competitiveness.

## **Vietnam continues to impose anti-dumping tax on imported steel**

HANOI -- Vietnam continues to impose anti-dumping tax on certain cold rolled stainless steel products imported from China, Malaysia, Indonesia and China's Taiwan, the state-run radio VOV reported on May 3.

According to a decision lately issued by Vietnam's Ministry of Industry and Trade (MoIT), certain steel producers from China will be imposed with anti-dumping taxes varying from 17.47 to 25.35 percent. Some products originating in Indonesia and Malaysia will be applied with respective anti-dumping taxes of 13.03 percent and 9.55 percent. Meanwhile, certain products from China's Taiwan are to suffer from anti-dumping taxes of 13.79 percent to 37.29 percent.

The new taxes will be applied from May 14, 2016 to October 6, 2019, the MoIT was quoted by VOV as saying.

The ministry also noted that the tax rate and implementation period can be changed in case of reviewing and extending as regulated in its ordinance on anti-dumping for goods imported into Vietnam.

Earlier, the MoIT applied anti-dumping taxes on certain cold rolled stainless steel products imported into Vietnam from China, Malaysia, Indonesia and China's Taiwan from October 5, 2014 to May 13, 2016.

During the period, producers from China are defined to suffer anti-dumping taxes from 4.64 percent to 6.87 percent, from Indonesia 3.07 percent, Malaysia 10.71 percent, and China's Taiwan 13.79 percent to 37.29 percent.

## **China expresses concern on EU's new prior-surveillance system for steel imports**

BEIJING -- Trade protectionism measures would do no help to tackle global steel overcapacity but hinder global trade orders, China's Ministry of Commerce (MOC) said in a



statement after the European Union (EU) adopted new prior-surveillance system for steel imports.

The prior-surveillance system will bring extra burdens to normal trade and China is concerned about this matter, said the statement.

The EU announced on Friday that it had established a prior-surveillance system for imports of steel products into the bloc in order to further protect its own steel industry.

Based on the new regulation, imports of steel products into the EU will now need an import license. The EU has long claimed that importing steel products from third countries, such as China, have jeopardized its own labor market.

China always advocates anti-trade protectionism and maintains stable, predictable and fair trade environment, said the MOC statement, adding that the EU should abide by the commitments it has made and avoid sending wrong signals.

## Data This Week

### China's exports surge, imports dip in March

BEIJING --- Customs data showed that China's exports staged a turnaround in March, while a decline in imports narrowed.

Exports increased 11.5 percent on-year to 160.8 billion US dollars, beating the 10 percent rise economists predicted in a Bloomberg survey, according to the data.

Imports, however, fell for the 17th consecutive month, albeit at a slower pace, dropping 7.6 percent on-year to 131.0 billion US dollars, Customs said.

The following table shows the value of China's exports and imports with its trade partners by country and region in March as well as the figures for the first quarter.

**Table: Total value of exports and imports by country/region in March of 2016**

Unit: thousand U.S. dollars

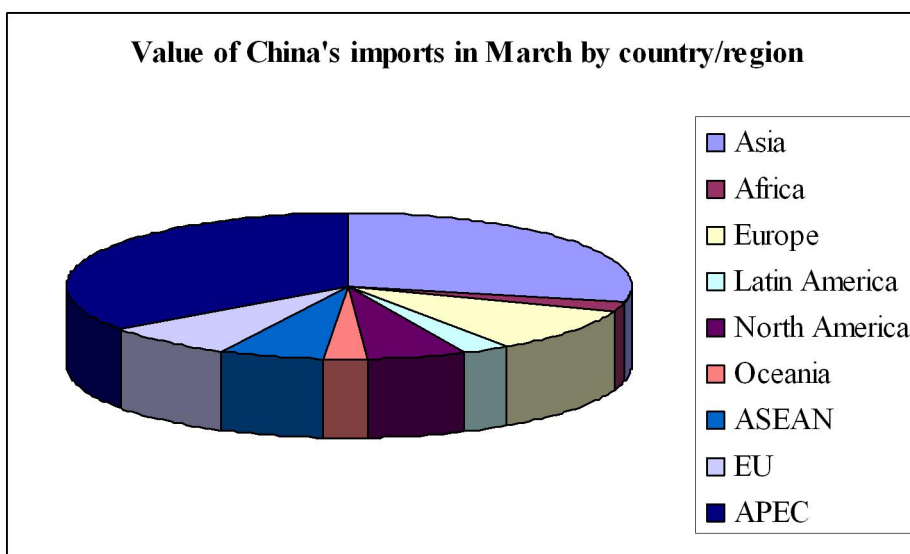
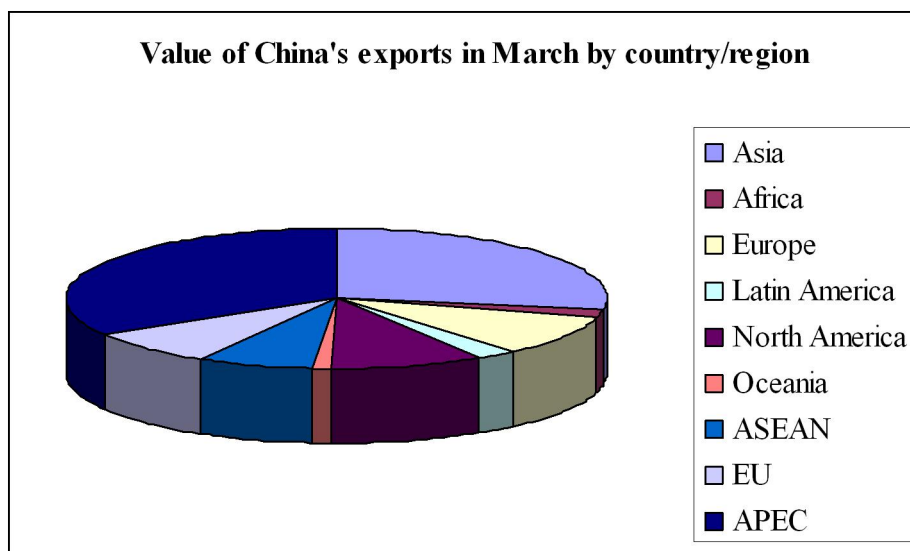
Importing Country/Region of Origin	Exports		Imports		Year on year for Jan.-Mar.	
	March	Jan.-Mar.	March	Jan.-Mar.	Exports	Imports
Export Destination Country/Region						
Total Value	160,813,329	463,931,114	130,956,404	338,205,177	-9.6	-13.5
Asia	85,780,064	233,463,036	73,077,481	191,369,803	-8.8	-12.8
Africa	6,531,357	20,683,076	4,546,682	12,531,168	-18.0	-23.8
Europe	28,084,867	86,830,535	25,768,293	62,972,139	-6.1	-10.8
Latin America	7,696,028	24,032,987	7,088,247	19,565,705	-23.0	-3.8
North America	29,153,626	87,616,369	14,431,809	35,589,874	-9.4	-14.7





Oceania	3,567,386	11,305,112	5,943,549	15,991,718	-0.7	-26.5
ASEAN	21,635,117	58,480,861	15,494,808	40,166,135	-13.7	-8.4
EU	24,645,735	76,663,600	19,253,706	46,832,019	-6.9	-7.0
APEC	105,078,141	292,395,565	89,531,616	230,966,829	-8.8	-11.2

(Source: GAC, Xinhua Silkroad Database, <http://db.silkroad.news.cn/en/>)



*Note:*

**ASEAN:** Brunei, Myanmar, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam

**EU:** Belgium, Denmark, the United Kingdom, Germany, France, Ireland, Italy, Luxembourg, the Netherlands, Greece, Portugal, Spain, Austria, Finland, Sweden, Cyprus, Hungary, Malta, Poland, Estonia, Latvia, Lithuania, Slovenian, the Czech Republic, Slovakia, Bulgaria, Romania and Croatia.

**APEC:** Brunei, Hong Kong, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Thailand, Vietnam, the People's Republic of China, Taiwan, Russia, Chile, Mexico, Peru, Canada, the United States, Australia, New Zealand, Papua New Guinea.



## Caixin China manufacturing PMI edges down to 49.4

BEIJING -- The latest Caixin General China Manufacturing Purchasing Managers' Index (PMI), an indicator of manufacturing activity, edged down to 49.4 in April, suggesting the economic recovery is yet to firm up.

The private survey, conducted by financial information service provider Markit and sponsored by financial media group Caixin, produced a reading on May 3 fractionally down from 49.7 in March and below the market forecast of 49.8, signaling marginal deterioration in operating conditions.

A reading above 50 indicates expansion, while a reading below 50 represents contraction. The Caixin index has remained below the neutral 50 value for more than a year.

The survey found relatively weak market conditions and softer client demand had led firms to be cautious towards their production schedules, while new order books stagnated following a slight expansion in the previous month.

Meanwhile, weaker foreign demand continued to weigh on orders, with new export work falling for a fifth consecutive month.

Companies displayed cautious inventory policies in April, with stocks of finished goods and inputs both falling at faster rates.

## Silkroad Insights

### A new civilization belt along Belt and Road

by Li Xiguang

*Abstract : In match with China's "Belt and Road" initiative, the paper proposes the construction of a new Silk Roads civilization sphere around China-Pakistan Economic Corridor (CPEC).*

There are some new phrases related to the construction of Belt and Road in the 13th Five-Year Plan on National Economic and Social Development recommended by the Chinese Communist Party Central Committee at its fifth plenary meeting of the 18th Party Congress in November 2015: 1. "Actively participate in global economic governance and the supply of public goods; improve the institutional voice of the global economic governance, and building broad community of interest;" 2. "Perfecting the opening up strategic layout, promoting two-way opening, promoting 'Belt and Road', promoting pragmatic cooperation in various fields of mutual benefit with relevant countries and regions, promoting international cooperation in capacity and



equipment manufacturing, at home and abroad to create a brand new landscape of opening up by linkage land route and sea route, by opening up to both the east and the west.” The key words here are “institutional voice” and “opening up to both the east and the west”.

### **1. Opening up to both the east and the west**

The “Belt and Road” initiatives include the "Silk Road Economic Belt" and "the 21<sup>st</sup>-Century Maritime Silk Road". The "Silk Road Economic Belt" strategy is westward. Through Central Asia, West Asia, Eastern Europe, it has been extended to Western Europe. "21<sup>st</sup>-Century Marine Silk Road" from China's east coast through the South China Sea into the Indian Ocean after connecting the ASEAN, then west connection in the Middle East, Africa and Europe.

The new policy of “Opening up to both the east and the west” redefines China's geopolitical relations. In accordance with the “Belt and Road” initiative, China is both a Central Asian country and a country in the Indian Ocean. Considering the distance between Kashgar and Gwadar, Xinjiang is much closer to Indian Ocean than to Beijing and taking into account China - ASEAN Trans-Asian Railway, BCIM corridors, CPEC and the Qinghai-Tibet railway, the Indian Ocean will become the new definition of China's geographic perspective. The implementation of initiative will make China an Indian Ocean country. With the construction of ports in the Arabian Sea and the Indian Ocean as the footholds along the 21st Century Maritime Silk Road, such as the Gwadar Port in Pakistan, the Hambantota Port in Sri Lanka the Chittagong in Bangladesh, the Kyaukpyu Port in Myanmar, especially with the completion of Pakistan Economic Corridor, China will enter a "two-ocean" era, the era of the Pacific and Indian oceans.

The new policy of “Opening up to both the east and the west” and the “Belt and Road” initiative will again make China a Central Asian country, redefining China as the center of Central Asia. With the “Belt and Road”, Chinese people are no longer standing on the Pacific shores of Shenzhen, Shanghai and Hong Kong to see the world, but they are on peaks of Pamir, Tianshan, Karakorum and Himalayas as the center and starting point to view the world. If we draw a circle around these mountains, there exists a great civilization zone where the Turkic, Arab, Persian, Indian, Russian and Chinese cultures have coexisted for centuries.

If we stand in the Chinese city of Taxkorgan, the border town between China, Pakistan, Afghanistan and Tajikistan, and look east to China, China is a vast and complex country so rich in cultural diversity. China is totally unlike the nation state of Europe which pursues an internal homogeneity. With the completion of Belt and Road, especially the opening of CPEC, China’s frontier provinces like Xinjiang, Tibet and Mongolia will become China’s new hinterland and central plains.

The strategy of “Opening to both the east and the west” will accelerate the formation of a Silk Road Economic Belt along the 64 countries whose total trade volume with China rose from 16.2 percent in 2001 to 26 percent in 2014. Since 2001, trade with those countries has increased by 22.2 percent, which is higher than the growth rate of China's total trade 4.4 percent. China hopes that the Belt and Road will drive the global economy to a new economic era: from the "Trans-Pacific era" and "trans-Atlantic era" to the "Belt and Road era"; from the "Trans-Pacific economy" and "Trans-Atlantic economy" to "Belt and Road economy “. Since modern times, the trans-Atlantic and trans-Pacific trades which form the "trans-Atlantic economy" and "Trans-Pacific economy" have seen the world's largest total economic activities. Today, with China becoming a new center of the world economy, the Belt and Road will link Chinese economy with East Asia, Central Asia, West Asia and Europe to become a new growth engine of



the global economy, making global economic cooperation enter a "Belt and Road Era." The Belt and Road will make European Economic Circle and the Asia-Pacific Economic Circle, two of the world's most dynamic economic zones, link up to become the world's most promising economic corridor and the world's largest economic body, which will greatly change the geography of the world economy. In addition, China's economic development is increasingly dependent on international oil and gas resources. Its dependence on foreign oil is approaching 60 percent. Eight of China's top ten oil-importing countries are located along the Belt and Road. Considering its Maritime Silk Road transport corridor, no matter what kind of chaos in the Middle East and Central Asia happen, China will not stay away from this area. Peace and stability in the Gulf countries, particularly in the Gulf of Aden in Yemen and Somalia are essential for China's energy supply and trade.

## **2. Raising China's voice in "Institutional discourse"**

In its 13th Five-Year Plan, the Chinese Communist Party has clearly stated that China needs to raise its voice in global governance, which means that China not only needs an economic belt along the new Silk Roads, but also desperately needs a cultural belt or a civilization sphere in which China will have a big voice in the discourse of world affairs.

For 30-odd consecutive years of rapid and sustained economic growth, China's per capita GDP increased by 30 times. In 2014, China's GDP growth declined to 7.4 percent, the lowest in 20 years, but its growth is equal to the half of India or a half Russia one year's GDP. As China being the world's second-largest economy and the largest economy in the future, China should write the new rules of the future. Currently, China has no say in the World Bank, the Asian Development Bank. However, the United States has a veto power in these institutions. The emergence of the Asian Infrastructure Investment Bank (AIIB) is a milestone marking the first step for China to shake the world geo-politics and economy. With the Belt and Road initiative, China proposes the cooperation principle of "peaceful cooperation, openness, mutual learning, mutual benefit and win-win spirit, advocating civilization tolerance, respecting the choice of development path and development model of each country, strengthening the dialogue among civilizations".

In culture and ideology, China and the countries along the Belt and Road, especially those neighboring countries like Japan, Korea, Vietnam, Thailand and Myanmar, have lost the thousands of years of center-periphery relation in culture, or "China - borderland" secondary cultural structure. By contrast, the United States and most neighboring countries around China have formed a cultural and ideological center-borderlands relationship.

In order to consolidate its global leadership position, the US by means of color revolution (like Arab Spring) has taken steps to accelerate fragmentation of Eurasia region after the disintegration of the Soviet Union. Many countries along the Belt and Road are allies of the United States or hosting US military bases, which pose huge political, diplomatic, military and economic obstacles for China to promote construction of the Belt and Road.

## **3. A civilization sphere of the Belt and Road**

The eventual rise of China along the Belt and Road does not depend on its economic power, but must be based on the cultural power. Historically, every rise of an empire along the Silk Roads had its own cultural sphere of influence - the farthest frontier the governance can reach, the farthest point the transportation can reach, the farthest border region its mainstream culture affects and the farthest countries it traded up with.





For example, Alexander the Great ruled the Silk Roads from Greece, Persia, all the way to today's Afghanistan and Pakistan. And later the Hellenistic Kushan Empire also had a big influence on China's western through Buddhism and Gandhara art. The great Tang Dynasty ran the most prosperous Silk Roads not only based on its military power in Central Asia, but also based on an extended network of education, culture and religious exchanges. Tang Dynasty saw the largest group of Chinese Buddhist students going through Wakhan corridor, Karakoram mountains, traveling along the Indus River to such holy religious places like the Swat, Peshawar and Taxila.

The Belt and Road initiative marks the first time in recent history that China has taken a step to establish a new relationship with neighboring countries and Western countries. Getting away from its over 100 years of passive integration into the world order since the 1911 Revolution, China has now decided to play an active role by combining its own development and shaping a new world order together. China and the countries along the Belt and Road will become a consortium of geopolitical, geo-economic cooperation, eventually form a community of common destiny, a community of common interests, a community of values and a community of cultures and a community of security.

CPEC is the hub area of the Belt and Road, which links the belt in Central Asia and the road in Indian Ocean. If we draw a circle around the CPEC, we will see a picture that this is a region which has seen the rise of the previous world cultural centers. It is the area where the ancient world influenced China. It is also the place where China influenced the world. If we designate Karamay in northern Xinjiang as the northern starting point of CPEC and draw a circle around Karamay, Ili, through Kashgar, Gilgit to Gwadar, we will see that the CPEC runs through the five highest mountains (Tianshan, Pamir, Hindu Kush, Karakoram and Himalaya) of the earth, which are the sources of Amu Darya and Indus rivers.

In this circle, we find that China, particularly its western provinces, are not only linked with the Central and South Asia by mountains and rivers through corridors, roads, paths and bridges, but are interlinked by blood, languages, beliefs and common cultural heritage. Until modern times, many countries in the circle had tributary relationship with China.

Since ancient times, monks, caravans, adventurers walked through the Wakhan corridor to China. Buddhist travelers Faxian and Xuanzang wrote great accounts of the area. But over the past century few books were written about the area.

Constructing a civilization sphere across the Belt and Road is reshaping China's geopolitics and geo-civilization circle. The Silk Road is not only an "economic zone", but more a "cultural zone". The Silk Road is not only a commercial channel, but a human social interaction platform where multi-ethnic, multi-racial, multi-religious, multi-cultural fusions take place. The winner of the new Silk Road in the great power game is not only an economic leader along the Belt and Road, but also a leader in building a new Silk Roads civilization.

#### **4. A new Silk Roads civilization belt**

The new Silk Roads civilization along the Belt and Road encourages diverse culture in the spirit of coexistence, tolerance and win-win, which is totally different from Columbus discovery of the so-called New World which was characterized by cultural cleansing and cultural genocide. The 2,500-year-old Eurasian Silk Road culture with the ethnic life, culture and religion based in the life of deserts, oases, steppe, plateaus, are still alive today. For example, there are more than 20,000 Zoroastrian believers living in Iran today and Iranian Parliament maintains two seats for Zoroastrians. Silk Road cultural respects life and nature. For example, people living along the



northern Silk Roads grasslands have a tradition of Khoomei, a throat singing imitating sound of nature.

Silk Road culture since ancient times has been maintained and supported multi-nationally. For example, the thousands of caravanserais and bazaars from Istanbul, Damascus, Isfahan, Khiva, Bukhara, Samarkand, Andijan, Osh, Kashgar, Hotan, Dunhuang all the way to Xi'an, has been supported by the local rulers along the Silk Roads.

The decline of Silk Road overland decline was not entirely due to the opening of the Maritime Silk Road. In the mid of 19th century, as the British and Russia were fighting a great power game in Central Asia, West Asia and South Asia, they redrew borders in these areas and built artificial barriers at the traditional Silk Road passages. For example, the Anglo-Russian division of the Wakhan corridor boundaries eventually blocked the busiest passage between China, Pakistan, Afghanistan, Central Asia and West Asia.

In accordance with the policy of five goals set by China about the building of the Belt and Road, which are connection of policy, connection of roads, connection of trade, connection of currency and connection of hearts, China hopes that through investment and construction of the Belt and Road, China and those countries along the new Silk Roads will build into a community of common destiny, a community of security, a community of common interests, a community of common values and eventually a new belt of civilization. Main elements of the Chinese culture are Confucianism, Buddhism and Taoism which are essentially atheistic. People may doubt how could an atheistic culture build into a community of common values with a monotheism culture? The 2,500-year uninterrupted Chinese culture is known for its philosophy of a middle course, loving peace, seeking calm life, respecting for nature, pursuit of harmony, not going to extremes, not engaging in ethnic struggles and religious wars. It is the best way to revive a Silk Road civilization and unite people and countries of different cultures, beliefs and Ethnic groups.

Construction of a Belt and Road civilization has nothing to do with Sinocentrism. Nations along the way are proud of their own culture, religion, architecture, art, history, heroes and social system. China should be clear in articulating its core values in building the Belt and Road. The new Silk Roads nations do not want to see China's value and China dream narrowly confined to China. Goals of the Belt and Road that China advocates should be something everyone living on the Silk Roads wants to achieve. China needs to design an effective new Silk Roads slogan which can be easily understood and disseminated along the Belt and Road. Confucius coined five-word slogan for his civilization construction "Benevolence, Justice, Courtesy, Wisdom, Trust". Mao Zedong coined a two-word slogan as the core values of the communists "Serve the people".

Many Belt and Road countries are located in the strip of the world's most serious disputes: strategic hub areas, ethnic conflict zones, religion overlapping areas, energy-intensive areas. The countries along the Belt and Road in the Middle East and Central Asia can be subdivided into resource-based countries, geopolitical countries and multi-ethnic and multi-religious countries. The big powers are not only coveting the rich economic resources in such Islamic countries, such as Saudi Arabia, Iran, Iraq, Syria, Sudan, Yemen, Afghanistan, Pakistan, but also value the geopolitical resource much higher than the value of their economic resources with such countries as Syria, Afghanistan, Pakistan, Iraq and Yemen.

Geographically, many countries along the Silk Roads have their own distinguished cultural tradition. But the Belt and Road civilization running through Pamir, Tianshan, Hindu Kush, Karakoram and Himalayas is a not a heterogeneous mixture. The majority of the Silk Road



countries such as China, India, Pakistan, Iran, and Arab are non-Western civilization. These countries share a long historical affinity of being colonized or ruled by Western powers. Since ancient times, these countries are the place where the Western powers seek to control. In modern times, these countries and their people were forced to response strongly to the Western civilization, and struggling to create a new national identity, a political identity and a cultural identity.

Because the Belt and Road is geographically sandwiched in a variety of cultural systems, the Belt and Road civilization will be a unique civilization system across multiple cultures. The Belt and Road civilization needs a more inclusive and universal ideology supporting the multi polarities of politics and culture, respecting for history and tradition. The Belt and Road civilization does not advocate for a single ideology and religious view nor does it encourage binary opposition ideology which always triggers conflicts and violence.

The binary opposition nature of Western civilization is homogenous and exclusive. Only by returning to a Silk Road civilization, the diversified cultures of the ancient Silk Road will treat each other with respect and coexist peacefully. The clash of civilizations will not take place until the Western powers stopped using "democracies" and "non-democratic countries" to rudely tear the world into a single binary opposition, denying the historical, geographical and cultural commonality of these countries.

Chinese need a civilization belt to match its planned huge economic belt along the Belt and Road. In this sphere of new Silk Road Civilization, China should do everything possible to maximize the identity, cohesion, self-esteem and creativity of different cultures, different nationalities, different religions and tribes for the integration of the unlimited resources along the Belt and Road, making people believe that the construction of the new Silk Roads benefits all the people along the Belt and Road.

*(Professor Li Xiguang is Director of the Center for Pakistan Cultural Communication Studies of Tsinghua University)*

## **Asia and Europe should build new framework of investment, financing for "B&R"**

BEIJING -- Asia and Europe should build a new framework of investment and financing for the "Belt and Road" initiative, proposed by Zhang Monan, associate researcher at the China Center for International Economic Exchanges.

Asia and Europe should promote financial cooperation and integrated development, which can not only effectively reduce financing costs, enhance efficiency in the whole financial system, but also offer strong and efficient investment and financing guarantees for development of the "Belt and Road" initiative in the region, said Zhang.

Zhang noted that with many European countries joining the Asian Infrastructure Investment Bank (AIIB), China also officially became a member of the European Bank for Reconstruction and Development (EBRD) in January, 2016, strengthening the comprehensive strategic cooperation under the framework of "Belt and Road" (B&R) between China and Europe.



Apart from the financing platform, accommodation of funds is the important support for construction of the "Belt and Road". While carrying out multilateral financial integration by means of syndicated loan and bank credit extension, it is the most important to choose the proper financing tool. The bond financing is a financing tool fit for the infrastructure investments. The new-type development financial institutions represented by the AIIB and the BRICS Development Bank happen to become the most suitable financing body to promote development of the Asian and European bond markets, according to Zhang.

At present, the RMB internationalization is underway and China is quickening the pace of promoting cross-border use of RMB.

Since 2008, signing of the currency swap agreements between central banks has become increasingly frequent and the new type financial structure based on the current swap network is becoming a trend.

Data shows that by the end of 2015, China's central bank had signed the bilateral currency swap agreements with 33 central banks and monetary authorities with the amount already exceeding RMB3.3 trillion. In addition, nearly 15 offshore RMB clearing centers have been built on a global scale.

Since 2014, China has already signed the RMB clearing agreements with Britain, Germany, Luxembourg, and France. Meanwhile, China also granted Britain, Germany and France each RMB80 billion of RMB qualified foreign institutional investors quota. Plus the currency swap currency under the China-Switzerland free trade agreement (FTA), a RMB currency swap network in Europe is taking shape, said Zhang.





## Company News

### Chinese firm wins USD620 mln EPC contract for oil refinery in Cambodia



*(Photo 2: China National Petroleum Corporation (CNPC) Northeast Refining & Chemical Engineering Company signed an engineering, procurement and construction (EPC) contract in Phnom Penh on May 4, 2016.)*

PHNOM PENH -- China National Petroleum Corporation (CNPC) Northeast Refining & Chemical Engineering Company secured an engineering, procurement and construction (EPC) contract on May 4 from a Cambodian conglomerate to construct a 620 million-U.S.-dollar oil refinery in its first phase.

The EPC contract was inked here between Li Limin, chairman of CNPC Northeast Refining & Chemical Engineering Company, and Hann Khieng, managing director of Cambodian Petrochemical Company, under the presence of Cambodian Minister of Mines and Energy Suy Sem.

Under the contract, the Chinese firm will carry out detailed engineering design of the project, procure all the equipment and materials necessary, and then construct an oil refinery for the Cambodian Petrochemical Company.

Li said the construction of the oil refinery in the first phase will be completed at the end of 2018 with the oil production capacity of 2 million tons per year.

"The oil refinery will reduce the country's import of petroleum," he said.



According to Li, CNPC Northeast Refining & Chemical Engineering Company is one of the three top refining and chemical engineering firms in China.

Hann Khieng said the plant, which will be built with the latest equipment and technologies, is located in Cambodia's southwestern Preah Sihanouk province.

"It will be the first oil refinery in Cambodia," he said, adding that the company will increase its investment in the project to 3 billion U.S. dollars with the increased capacity of 5 million tons per year in the next phases.

"Now, it should be the time for Cambodia to build its reputation as an oil producer for domestic use and export," he said.

Currently, Cambodia totally imports petroleum from Vietnam, Singapore and Thailand as its seabed's oil and gas have not yet been exploited.

According to government figures, the Southeast Asian country spent nearly 1 billion U.S. dollars to buy 2.55 million tons of oil last year.

## **COSCO Shipyard delivers giant livestock carrier**

DALIAN -- A Chinese firm delivered a giant carrier ship designed for livestock to a Singaporean buyer on April 27.

The ship is the largest of its kind to be produced in China. Built by COSCO Shipyard and delivered by its subsidiary in the northeastern coastal city of Dalian, the vessel is 189.5 meters long with a floor space of 23,500 square meters, enough for 17,000 live cattle at a time.

Worldwide, there is strong demand for livestock shipping vessels. Many vessels used for cattle are converted container ships, but the COSCO ship is equipped with automated water piping, forage feeding systems and other facilities to ensure the livestock arrive in good condition.

China signed a deal with Australia in 2014 to import 1 million head of Australian cattle per year. This alone requires 20 ships with a capacity of 5,000 livestock each.

COSCO Shipyard rolled its first livestock carrier, ordered by a Dutch firm, off production lines in 2013. Its subsidiary has received seven orders for such carriers.

## **Bank of China approved to start business in Turkey**

ANKARA -- The Bank of China (BOC) was approved to start operation in Turkey, Turkish Deputy Prime Minister Mehmet Simsek announced on May 3. The bank's Turkish headquarter will be established in Istanbul.

Simsek said the BOC submitted the application to the Banking Regulation and Supervision Agency (BDDK) in January. The application was approved by the BDDK during a meeting on May 2, according to reports of local media.



The BOC becomes the second Chinese bank that started business in Turkey following the Industrial and Commercial Bank of China (ICBC). The ICBC successfully acquired 75.5 percent stake of Turkish bank Tekstilbank in May, 2015.

Simsek said that Chinese banks applying to set up business Turkey shows foreign capital is interested in Turkish financial market. The move also helps the country attract more China's capital and increase financing opportunity for Turkish private sector.

## **Silkroad Provinces**

### **Investment environment and policies of Guangxi**



*(Photo 3: The construction site of the grain and oil processing project in China-Malaysia Qinzhou Industrial Park)*

BEIJING--With its special geographical position both on the land and sea border and facing the Association of Southeast Asia Nations (ASEAN), China's southwest Guangxi Zhuang Autonomous Region has benefited from a well-opened economy and it is willing to further cooperate with investor from all over the world.

-- General situation of foreign investment in Guangxi

In the recent years, Guangxi has been implementing the strategy of boosting growth by opening up the economy.

In 2015, Guangxi approved 142 projects with foreign investment from 26 countries and



regions, growing 2.9 percent from a year ago, while 86 of the projects were wholly funded by foreign investment. Foreign investment actually utilized by the region rose 72 percent to a historical high of 1.722 billion U.S. dollars.

In terms of industries, the industrial sector and the real estate market are still the main fields that attract foreign investment. Foreign investment used by transportation, telecommunications and other basic industries, wholesale and retailing, accommodation and catering have been increasing since 2010.

-- Favorable investment environment and policies

Guangxi is located in south China and is the only region connected with the ASEAN both on the land and on the sea. It is also closely linked to Guangdong Province, Hong Kong and Macao. Guangxi's GDP stands around the middle among China's provinces. Its favorable investment environment makes it a hotspot for foreign investment.

First, Guangxi enjoys multiple favorable policies. It is entitled to policies for opening up coastal areas and land border areas, developing China's west regions as well as preferential policies related to the regional autonomy system. Moreover, China's central government has also launched plans to build Guangxi Beibu Gulf Economic Zone, Pearl River-Xijiang River Economic Belt and Guangxi Border Financial Comprehensive Reform Pilot Area.

Second, Guangxi is the window for China-ASEAN cooperation. With the China-AESAN Expo and the Pan-Beibu Gulf Economic Cooperation Forum, the "Nanning channel" has become a major passageway for cooperation between China and the AESEAN in politics, economy and culture, and investors are able to reach both markets of China and the ASEAN.

Third, Guangxi boasts rich marine, mineral and other natural resources. Guangxi's climate is warm and humid all year around, which gives it rich forestry resources and its output of 13 agricultural products rank at the first in China. The landscape in Guilin and the silver beach in Beihai are well-known tourist resorts in the world.

Fourth, Guangxi is a very important industrial base in southeast coastal area of China. It has completed construction of an oil refining project with 18 million ton annul capacity. As one of the biggest four automobile car production bases in China, Guangxi's annual car building capacity reaches 2.1 million. Currently, it is accelerating development of food, metallurgic industry, petrochemical industry, mechanic building, electronic information, new material and new energy.

Fifth, Guangxi is the most convenient channel to China's neighboring countries in the southwest. Guangxi's coastline and borderline extends for 1,595 kilometers and 1,020 kilometers. Its comprehensive capacity of coastal and inland ports has exceeded 230 million metric tons (tonnes) and 100 million tonnes respectively. It has 25 land border ports and 26 exchange markets at the frontier.

Sixth, Guangxi has a range of platforms for opening up and international cooperation. There are four special Customs controlling zone including Qinzhou Free Trade Port Area. In addition, there are China-Malaysia Qinzhou Industrial Park and China-Vietnam cross-border economic cooperation area for companies to place investment. Guangxi's Beibu Gulf is also applying to be a pilot free trade zone.

-- Key areas to deepen cooperation

Guangxi's open economy has entered the fast track, and it is determined to welcome in more





foreign investors. There are four areas where Guangxi is expected to strengthen cooperation with investors:

The first is to enhance cooperation in advanced manufacturing. With good industrial foundation, Guangxi's investment cost is about 40 percent lower than eastern China. At present, Guangxi is carrying out a plan to undertake industrial transfer of electronic information, modern equipment manufacturing, new materials, biological medicine, energy conservation, food processing, petrochemicals etc.

Multinational companies will be able to share the benefits of Guangxi's rapid development of industrialization with their advantages in capital, technology and human resources.

The second is to push forward cooperation in finance and logistics. Guangxi is now building the Border Financial Comprehensive Reform Pilot Area and constructing large ports with capacity of 10 million standard containers and regional international shipping center in a bid to deepen international cooperation in finance and logistics.

The third is to continuously construct industrial parks. At present, Guangxi has developed national economic and technological development zones as well as high-tech industrial development zones, and it is actively building up cross-border economic cooperation zones and border development and open-up pilot areas to create a favorable development environment for investors.

The fourth is to further explore international markets. Guangxi will further upgrade and expand "Nanning Channel" and develop the ASEAN market. It will also actively encourage local companies to increase overseas investment and expand global business.

*(For more information about foreign investment of Guangxi, please go to Xinhua Silk Road Database, <http://db.silkroad.news.cn/en/>)*

## **Construction starts on multimodal transportation customs supervision center in Urumqi**

URUMQI -- Construction has started on the multimodal transportation customs supervision center in Urumqi in Xinjiang, a key autonomous region of the Silk Road Economic Belt in Northwest China. It is expected to be completed in July of 2016.

Involving total investment of 1 billion yuan, the multimodal transportation customs supervision center is expected to promote construction of an international logistics entrepot in Urumqi, which would be equipped with a west-oriented import and export freight center and a logistics base integrating railway, highway, air, and ocean transport.



## Project Info

### AIIB, ADB sign MOU on cooperation



*(Photo 4: Located in Beijing, AIIB was formally established in December last year and started operation in January.)*

BEIJING -- The Asian Infrastructure Investment Bank (AIIB) and Asian Development Bank (ADB) on May 2 signed a memorandum of understanding (MOU) to strengthen cooperation.

The agreement sets the stage for jointly-financed projects. Discussions have already begun about the co-financing of road and water projects.

The first of these projects is expected to be Pakistan's M4 highway, a 64-kilometer motorway connecting Shorkot to Khanewal in Punjab Province.

"I am delighted to take a further step forward in our partnership with ADB," AIIB president Jin Liqun said. "AIIB looks forward to deepening our already strong relationship and expanding our collaboration as we seek to address the significant infrastructure financing needs in the Asia region."

### Bangladesh approves multi-billion USD China-financed rail project

DHAKA -- Bangladesh's highest economic policy-making body May 3 approved a multi billion U.S. dollars China-financed project to develop a direct railway connectivity between the



capital Dhaka and the southwestern parts of the country.

Planning Minister AHM Mustafa Kamal told reporters that Rail Division is entrusted to implement the project by 2022 and a total of 172 kilometers new rail track would be installed under the project.

Chinese government will provide 247.49 billion taka as a loan for the project and the remaining expenditure would be borne by the government, he added.

Bangladesh's cabinet committee on economic affairs in March approved a proposal from the country's railway ministry to give the project to China Railway Group Ltd.

## **Sino-Europe international cargo train alliance established in Xinjiang**

URUMQI - A total of 13 China-Europe international cargo train competent organizations and companies from 11 provinces, regions and cities in the country, including Xinjiang, Chongqing, Hubei, Shaanxi and Fujian, established a national Sino-Europe freight train platform alliance in late April in Urumqi, capital city of northwest China's Xinjiang Uygur Autonomous Region.

The alliance aims to establish a coordination mechanism among all Sino-Europe international freight train operators, optimize the transportation organization and spatial arrangement of China-Europe freight trains, and realize win-win cooperation in the member provinces, regions and cities.

Recently, China-Europe freight trains have witnessed rapid development under the "Belt and Road" initiative and strong market demand. China now has three rail channels to Europe -- a western route through the Alataw Pass in Xinjiang to Kazakhstan, a middle path via Erenhot to Mongolia, and through Manzhouli in the northeast to Russia. Statistics showed altogether 39 China-Europe and China-Asia freight train lines covering 26 cities in China have been opened.

The establishment of the alliance aims to share resources, information, and achievements when setting up public information platform, joint conference mechanism, and coordination mechanism among all governing bodies of Sino-Europe international freight trains, Liu Shiqing, general manager with Xinjiang China-Euro Combine Logistics Co., Ltd said.

Meanwhile, the alliance plans to make Urumqi as the collection center of Sino-Europe Cargo train to west direction. According to the statistics, as of the end of March, Xinjiang launched totaling 150 Sino-Euro and Sino-Asia cargo trains to west direction, and plans to launch at least 200 trains in by the end 2016.

## **Investment-inviting Projects Info**

The followings are information about projects inviting investment of Chinese localities:

**Project of Sixth 50 Million-ton Coal Dock**



Release Date	October 23, 2015
Financing Mode	Equity investment
Investment Mode	Joint-venture
Industry	Transport & Warehousing
Location	Hebei province
Project properties	This project is located at the southern end of eastern coastline of Caofeidian Port Area No.2 Port Basin in Tangshan Port, and involves new construction of five specialized coal shipment berths, with the berth tonnages and numbers respectively being one 50,000-tonnage berth, two 70,000-tonnage berths, and two 100,000-tonnage berths, as well as a designed annual handling capacity being 50 million tons.
Total amount of project capitals	The total investment will be around RMB5.6 billion, which comes from self-financing and bank loans.

#### **Project of Production Base of Engineering Machinery and Components and Parts**

Release Date	October 21, 2015
Financing Mode	Equity Investment
Investment Mode	Cooperative Joint-Venture, Solely-Invested
Industry	Manufacturing
Location	Hebei province
Project properties	This project will occupy a land of 550 mu. for constructing the production base of engineering machinery and components and parts by introducing manufacturing enterprises of engineering machinery and components and parts. At present, the excavator production line of SUMITOMO Corporation—one of top 500 global companies — has come here for operation, and Phase-1 of the biggest engineering machinery market in North China has been put into operation now, thus a pattern of linkage of production and marketing of engineering machinery has taken shape.
Total amount of project capitals	USD2.5 billion

#### **Project of Port Development Zone Cold Storage, Processing and Logistics Distribution**

Release Date	October 21, 2015
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Financing Mode	Equity investment
Investment Mode	Cooperative, Joint-Venture
Industry	Transport & Warehousing
Location	Hebei province
Project properties	In combination with the advantage of abundant resources of marine products in Tangshan Port Development Zone, this project will involve construction of the 22000-ton cold-storage controlled atmosphere storehouse, office/living areas, auxiliary facilities, etc., cold selling of 11000-ton/year aquatic products, processing of 800-ton/year dried marine products, deep processing of 200-ton dried sea cucumber products, 100-ton sea cucumber peptide powder, 1000-ton series products of milk beverage, and logistics distribution of 10000-ton marine products.
Total amount of project capitals	The total investment will be around 500 million yuan, which will come from self-financing and bank loans.

(Source: Xinhua Silkroad Database, <http://db.silkroad.news.cn/en/>, more projects available in the Database)

The second batch of public-private partnership projects unveiled by the Ministry of Finance in 2015

Province (Municipality)	No.	Project Name	Field	Total amount of investment
Beijing	1	Water Environment Treatment for North Canal Basin (Tongzhou District)	Water service	6.43 billion yuan
Hebei	2	Chengde Keshiketeng Banner-Chengde Express (Chengde Section)	Transportation	27.4 billion yuan
Inner Mongolia	3	Baotou Xindu District Underground Pipeline Construction Project	Municipal engineering	1.81 billion yuan
Liaoning	4	Shenyang City Underground Pipeline Project (South Canal Section)	Municipal engineering	3.28 billion yuan
Heilongjiang	5	Harbin Underground Pipeline Pilot Project	Municipal engineering	2.8 billion yuan

(Source: Xinhua Silkroad Database, <http://db.silkroad.news.cn/en/>)



## **Backgrounder**

### **China-Portuguese Speaking Countries Cooperation and Development Fund**

China Portuguese Speaking Countries Cooperation and Development Fund (CPDFund) was founded after the Chinese government announced to initiate six policy measures, the first of which is to establish the fund to give full play to the unique advantages of China and the Portuguese-speaking countries, and to bring their economic cooperation to a larger scale, wider range and higher level on the 3rd Ministerial Conference of the Forum for economic and Trade Cooperation between China and Portuguese-speaking Countries (the Forum) in October 2010.

It is an important measure of the Chinese government to encourage and deepen the economic and trade cooperation between China (including Macau Special Administrative Region) and the Portuguese-speaking countries, focusing on the financing needs of the companies and promoting business growth, globalization and economic improvement of the member states of the Forum using capital as a link.

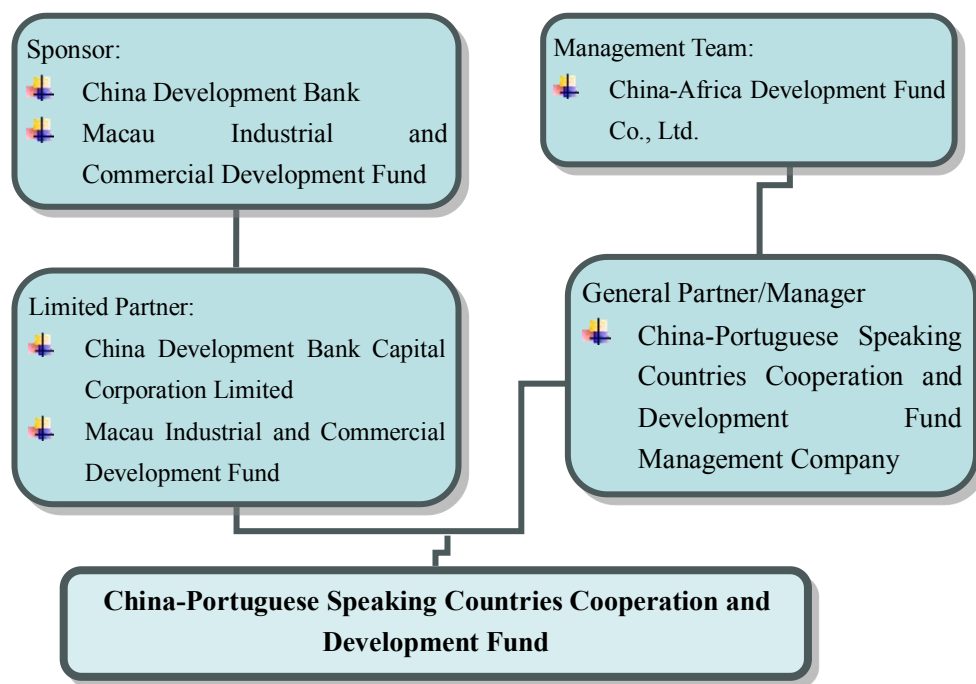
#### **Overview**

Size: A total amount of 1 billion US dollars with an initial phase of 125 million US dollars

Duration: 10 years, including 5-year investment period and 5-year exit period, and can be prolonged twice each by one year on an as-needed basis

#### **Structure & Related Parties**

CPDFund is established by the China Development Bank Capital Corporation Limited (CDB Capital) and the Macau Industrial and Commercial Development Fund as its cornerstone investors for its first phase.



### **Sponsor**

China Development Bank (Sponsor)

- China's second-largest bond issuer, with quasi-sovereign credit rating;
- Rich customer base, including large and medium-sized state-owned enterprises, prestigious private enterprises and a number of small and medium-sized enterprises;
- China's largest overseas investment and financing cooperation bank with global strategic vision and planning.

Macau Industrial and Commercial Development Fund (Sponsor/ Limited partner)

- A legal entity in public law whose mission is to use its resources to fund projects and activities which facilitate the economic development of the Macau SAR. It keeps close relationships with the industrial and commercial circles and the SMEs of Macau.
- Macau, at the crossroads where the eastern and western information and culture meet, boasts well-developed infrastructure facilities, a fully-fledged financial services system and a free, open business environment, plus the reservoir of a large number of Portuguese-Chinese bilingual professionals, providing a full range of services for the CPDFund.

China Development Bank Capital Corporation Limited (Limited Partner)

- The Only financial institution in the Chinese banking industry with an exclusive RMB investment license.
- A management team of 30 professionals and 15-year experience in private equity investment, managing 22 different types of funds totaling more than 140 billion yuan with a steady investment return of around 20 percent.

China Portuguese Speaking Countries Corporation and Development Fund Management Company (General Partner/Manager)



The management Company is established by the China-Africa Development Fund (CADFund) through its Hong Kong subsidiary. With its professional investment management team, the CADFund shares project development, investment analysis, risk control, asset management and other expertise with the Management Company, and is entrusted with the administration of the CPDFund by developing, reviewing and evaluating projects for the CPDFund while leaving the final decision to it.

**Decision-making Body:** An investment Committee consisting of professional representatives from the CPDFund management team

### **Project Sources**

1. Recommended by the Secretariat and the government departments of the member states of the Forum;
2. Developed by the CPDFund management team;
3. Application from companies or investment institutions, etc. in the member states;
4. Other sources

### **Investment Vehicles**

Based on the individual characteristics and circumstances of the investment companies and projects, the CPDFund can flexibly adopt various models or portfolios through vehicles such as equity or quasi-equity.

1. Equity

Investing in companies or projects via common shares

2. Quasi-equity

Other vehicles, such as preferred stock, hybrid capital instruments and convertible bonds

### **Cooperation Models**

1. The CPDFund and the companies of the member states set up a joint venture to invest in the businesses or projects of the member states.
2. The CPDFund directly invests in or purchases shares of the businesses or projects of the member states.
3. The CPDFund and the international financial institutions jointly invest in the businesses or projects of the member states.

### **Investment Criteria and Requirements**

1. Investment Criteria

A Companies to be invested in or partnered with should meet the following criteria:

- Legally registered and operate in the member states;
- Advanced technology and rich experience;
- Solid financial strength;
- An experienced, honest and faithful management team;
- Sound business performance and a good track record of credibility.

B Projects

- Located in the member states: China (including Macau SAR), Angola, Brazil, Cape Verde,



Guinea-Bissau, Mozambique, Portugal and East Timor;

- Promising market projects with rapid and steady growth potential, and be able to generate good cash flow and profits;
- With exits for the investments;
- Can promote local economic development and improve people's livelihood.

2. Investment Horizon

Based on various factors such as the industry, returns, risks, exit timing and manner, the CPDFund decides on their investment horizon. In principle, the holding period of a single project is from 4 to 6 years.

3. Investment Scale

A. Based on the requirements of risk management and control, the CPDFund will determine the investment limit for each business, project and industry, and adjust the investment scale in accordance with changes in the investment strategy.

B. In principle, as a financial investor, the CPDFund will not own controlling shares nor be the largest shareholder. It will monitor the business operation but not participate in the daily management.

C. The investment scale for a single project varies between 5 million US dollars and 20 million US dollars.

4. Investment Restrictions

The CPDFund will not invest in real estate, guarantee business or engage in any investment projects prohibited by the member states.

5. Investment Returns

The CPDFund operates in accordance with commercial principles, and expects investment returns not to be lower than the hurdle rate determined by the investment project revenues, risks, etc.

6. Asset Management

A. In principle, the CPDFund will not demand controlling interest in the investment projects, nor will it participate in the daily management. However, via methods such as dispatching directors, supervisors and financial management staff, it exerts influence on important issues, and exercises shareholders' rights based on the Articles of Association of the invested company.

B. The CPDFund shall receive relevant financial and operation reports of the invested companies and projects on a regular basis, and effectively monitor and manage the use of fund and the investment performance.

C. The CPDFund can provide its partners with advisory services to increase corporate value.

**Exits**

The CPDFund will exit in a certain period primarily by the following ways:

1. Transfer Agreement. Shares owned by the CPDFund can be repurchased by the companies themselves or the majority shareholder, or transferred to other shareholders of the invested companies or third-party investors.
2. Exit via listing. The CPDFund can exit via listing its invested company on the domestic or overseas securities markets.
3. Other exits.





## **Investment Procedures**

### **1. Project Development:**

The potential investment projects are:

- Recommended by the Secretariat of the Forum for Economic and Trade Cooperation between China and Portuguese-speaking Countries and government departments in the member states;
- Developed by the CPDFund management team;
- Applied by companies or investment institutions etc. in the member states;
- From other sources.

### **2. Project Selection**

- Companies or their shareholders interested in applying for the CPDFund submit the Application Form for the China-Portuguese Speaking Countries Cooperation and Development Fund
- According to the application forms submitted by the interested parties, the investment team will conduct preliminary investigation and screening, and form an initial opinion based on the information gathered

### **3. Set an intention**

After the screening, a cooperation program will be negotiated with the partners to settle on a cooperation framework, and an investment team then will be formed for the due diligence.

### **4. Due Diligence**

Due diligence includes marketing, finance and legal investigations, interviews with the company's shareholders and the management, field survey of the partner and the projects, etc., and evaluations on the company's facilities and operation.

When needed, the investment team can employ professional law firms, accounting firms and other institutions to conduct investigations and audits on the company's related legal matters and financial situation.

### **5. Business Negotiation**

Following due diligence, the investment team will negotiate with the companies to be invested regarding key points of the investment in order to reach an agreement based on the "conditions for investment", which includes proposed investment amount, investment model, agreed exit, major terms and conditions for the dealings, and the governance and management structure of the partnering companies and joint ventures.

### **6. Investment Approval**

The Investment team prepares investment proposals and submits them to the Investment Approval Committee to review. Once a project is approved, its investment terms and conditions are to be nailed down, which will be submitted to the invested company. Upon agreement from both sides, investment documents will be prepared.

### **7. Signing Legal Documents**

The CPDFund and its partners negotiate and draft relevant legal documents, which specify investment terms, and rights and obligations of both parties, and will be signed officially by the CPDFund and the invested company.

### **8. Disbursement**

The CPDFund disburses capital to the invested company according to the agreement.

### **9. Project Management in Investment Period**

The CPDFund and its partners manage the joint venture according to the Articles of



Association and the signed investment agreement. In addition, it can provide value-added services to them as needed.

10. Exit

Exit according to the investment agreement.