

# Participation of SZSE-Listed Companies in the “Belt and Road” Construction

*Since the initiative of “Belt and Road”<sup>1</sup> was put forward, China has signed the “Belt and Road” joint construction agreement with over 50 countries, and the “Belt and Road” strategy is now moving from strategic deployment and policy making at the macro level to project implementation at the micro level. Domestic companies, especially listed companies, have actively participated in and played important roles in the process. In this article, based on information including the annual reports, ad-hoc reports and corporate websites of SZSE-listed companies, we provide an overview of SZSE-listed companies’ participation in the “Belt and Road” construction.*

## **I. Basic information on SZSE-listed companies’ participation in the**

---

<sup>1</sup> Mainly including companies that have started business operation, excluding those defined by the media as “Belt & Road” concept stocks but without any actual business yet, and the time for collecting statistics was after the “Belt & Road” strategy was launched in 2013. Countries or regions covered by the “Belt & Road” initiative generally include Mongolia, 10 ASEAN countries (Singapore, Malaysia, Indonesia, Myanmar, Thailand, Laos, Cambodia, Vietnam, Brunei and the Philippines), 18 countries in West Asia (Iran, Iraq, Turkey, Syria, Jordan, Lebanon, Israel, Palestine, Saudi Arabia, Yemen, Oman, The United Arab Emirates, Qatar, Kuwait, Bahrain, Greece, Cyprus and Sinai Peninsula of Egypt), 8 countries in South Asia (India, Pakistan, Bangladesh, Afghanistan, Sri Lanka, Maldives, Nepal and Bhutan), 5 countries in Central Asia (Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan and Kyrgyzstan), 7 countries in the Commonwealth of the Independent States (Russia, Ukraine, Belarus, Georgia, Azerbaijan, Armenia and Moldova), and 16 countries in Central and Eastern Europe (Poland, Lithuania, Estonia, Latvia, Czech, Slovakia, Hungary, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Serbia, Albania, Romania, Bulgaria and Macedonia). In addition to the above-mentioned regions, countries including Australia, Czech and Germany have officially announced that they will actively participate in the “Belt & Road” construction, therefore they are included in the statistics here.

## **“Belt and Road” construction**

As of December 31, 2016, about 284 out of 1,870 SZSE-listed companies participated in the “Belt and Road” construction in various ways, including 67 companies on the Main Board, 155 on the SME Board, and 60 on the ChiNext Market.<sup>2</sup> Listed companies mainly participated by product export, engineering construction, and establishment of manufacturing bases or R&D centers, of which export amounted to over RMB90 billion<sup>3</sup>, engineering construction amounted to RMB150 billion<sup>4</sup>, about 70 manufacturing bases had been established, and there were about 60<sup>5</sup> acquisitions. The cooperation covered most of the countries along the “Belt and Road”, mainly in Southeast Asia, Central Asia and Europe, and Russia and Africa are continuously increasing their participation. Participating companies were from 45 intermediate-class industries<sup>6</sup>, with the majority in the computer, communications and other electronic equipment manufacturing industry, special equipment manufacturing industry, electrical machinery and equipment manufacturing industry, chemical materials and chemicals manufacturing industry, general equipment manufacturing industry, and automotive industry, totaling 163 companies and accounting for 57%. See Table 1.

---

<sup>2</sup> The participation of listed companies in the “Belt & Road” construction is mainly summarized based on company annual reports and announcements. The statistics cover most of the companies participating in the “Belt & Road” construction, but it may be incomplete.

<sup>3</sup> As some companies do not disclose actual data, the statistics are estimated based on available data.

<sup>4</sup> According to Wind, 132 companies obtained income of RMB164.6 billion from overseas operations in 2015, including income from overseas engineering construction and export orders. This amount is estimated based on company information.

<sup>5</sup> Including acquisitions that have not been completed.

<sup>6</sup> Industry classification criteria is based on CSRC industry classification – intermediate class.

**Table 1 Industry Distribution of SZSE-Listed Companies Participating in the “Belt and Road” Construction**

<b>Serial No.</b>	<b>Industry</b>	<b>Number of Companies</b>
1	Computer, communications and other electronic equipment manufacturing industry	41
2	Special equipment manufacturing industry	32
3	Electrical machinery and equipment manufacturing industry	31
4	Chemical materials and chemicals manufacturing industry	24
5	General equipment manufacturing industry	20
6	Automotive manufacturing industry	15

**II. Key characteristics of SZSE-listed companies’ participation in the “Belt and Road” construction**

**(I) Participation is mainly in the form of product export and engineering construction, also includes merger & acquisition and establishment of overseas bases**

Over 130<sup>7</sup> SZSE-listed companies export products or services to the countries along the “Belt and Road”, mainly from the computer, communications and other electronic equipment manufacturing industry, special equipment manufacturing industry, electrical machinery and equipment manufacturing industry, chemical materials and chemicals manufacturing industry, general equipment manufacturing industry, and automotive industry. This is mainly due to our country is engaged more in

---

<sup>7</sup> Based on annual reports and information on company websites.

the transportation, power and communications infrastructure construction in countries along the “Belt and Road”, consequently there is a higher demand for relevant products. For example, Accelink Technologies leveraged the “Belt and Road” opportunity to export its advantageous product (ultra-long-haul relay-free transmission solutions) to countries including Australia, India, Ethiopia and Kyrgyzstan, generating RMB831 million of revenues from the overseas market in 2016, significantly enhancing its profitability.

Infrastructure construction is an important content of the “Belt and Road” construction. Currently, about 72 SZSE-listed companies take part in engineering construction in countries along the “Belt and Road” by contracting engineering projects, participating in project construction, obtaining overseas orders, establishing factories overseas, establishing joint ventures, and setting up subsidiaries. See Table 2.

**Table 2 “Belt and Road” Construction Projects Participated in by Some SZSE-Listed Companies**

<b>Stock Code</b>	<b>Short Name</b>	<b>Industry</b>	<b>Main Countries with Overseas Business</b>	<b>Scale</b>
000928	Sinosteel ENTEC	Civil engineering construction	Indonesia, Bolivia, Iran, Russia	Overseas orders amount to RMB44.8 billion, accounting for about 70% of total orders
000065	NORINCO International	Civil engineering	Laos, Pakistan, Iran	Overseas orders amount to about RMB54 billion

		construction		
002051	China CAMC	Civil engineering construction	Belarus, Sri Lanka, Iran, Uzbekistan	Overseas orders amount to about RMB20 billion
002307	Beixin Road & Bridge	Civil engineering construction	Pakistan, Tajikistan, Kyrgyzstan	9 large projects amount to about RMB3.3 billion in total
002135	Southeast Space Frame	Civil engineering construction	Vietnam, Cambodia, Singapore, Venezuela	Overseas orders amount to RMB3 billion, up by over 50% year on year
002534	Hangzhou Boiler Group	General equipment manufacturing industry	Brunei	Won the bid of (Brunei) PMB petrochemical project power plant construction (including the seawater desalination project and the power plant seawater desulfurization project) with an amount of RMB1.019 billion
300103	Dagang Road Machinery	Special equipment manufacturing industry	India, Vietnam, Angola, Algeria	Sri Lanker road reconstruction project with orders amounting to RMB1.2 billion in total
002430	Hangzhou Hangyang	Special equipment manufacturing industry	Malaysia	Malaysia oxygen generation project EPC contract
000507	Zhuhai Port	Transportation industry	Pakistan	Joint construction (in partnership with China Overseas Port Holdings Limited) of Gwadar Port with orders amounting to RMB6.5 billion

In addition, SZSE-listed companies also actively participate by acquiring assets and establishing overseas bases. Up to now, approximately 54 SZSE-listed companies have initiated acquisitions in countries along the

“Belt and Road”, for example, Sanonda A has acquired 100% equity of ADAMA Agricultural Solutions Ltd. of Israel at the price of RMB18.6 billion, and Hengyi Petrochemical has acquired a Brunei petrochemical project at the price of about RMB3.8 billion; about 26 companies have established manufacturing bases and R&D centers in countries along the “Belt and Road”: TCL Group has set up manufacturing bases in Vietnam, Middle East and Egypt; Hisense Kelon has set up factories in Egypt, South Africa and Bangladesh; Supor has built a manufacturing base in Vietnam; and Lu Thai A has established factories in Cambodia, Vietnam and Burma. It can be seen that companies engaging in acquisitions and building manufacturing bases overseas are mainly from the electrical appliance industry, metal fabrication industry and textiles industry, and their main purpose is to seek technologies and resources (mineral products, agricultural products and labor) overseas, and to secure local sales markets for their products<sup>8</sup>.

## **(II) Covered industries are mainly those with traditional advantages and those with excess capacity**

The computer, communications and other electronic equipment manufacturing industry and the special equipment manufacturing industry are the industries in SZSE market with traditional advantages, and also the

---

<sup>8</sup> Some SZSE-listed companies have formulated development plans specific to the “Belt & Road”. For example, according to the plan of Midea Group, in Phase I (2016 to 2017), Midea mainly focuses on developing business in countries along the “Maritime Silk Road” (India, Indonesia, Vietnam, the Philippines and Egypt) and countries along the “Silk Road Economic Belt” including Russia; in Phase II (2018-2019), Midea will further develop business in Southeast Asia, South Asia and Europe, covering countries along the “Belt & Road” like Thailand, Malaysia, Pakistan, Bangladesh, Turkey and Poland.

two industries that boast the largest number of companies participating in the “Belt and Road” construction (about 73 in total). A representative company taking part in the “Belt and Road” construction by exporting products is ZTE Corporation. With the support of the “Belt and Road” initiative, its smart city project is now being implemented in over 140 cities in more than 40 countries across the globe, and has become an important carrier of the “Information Silk Road” initiative.

Some SZSE-listed companies in industries with “excess capacity” utilize the “Belt and Road” strategy to make active overseas deployment and secure new source of profit growth, and even turn loss to profit. Among them, about 49 companies are from the chemical materials and chemicals manufacturing industry, non-ferrous metal smelting and rolling processing industry, rubber and plastics industry, ferrous metal smelting and rolling processing industry, non-ferrous metal mining and dressing industry, and non-metallic mineral product industry; 25 companies are from the construction industry and general equipment manufacturing industry; and 8 companies are from the textiles industry. They participate in the form of local investment and establishment of factories, product sales, and construction project contracting. A representative company is Shangfeng Cement. It leveraged market development opportunities in hydro-power station and infrastructure construction in Kyrgyzstan and its neighboring countries, and, in partnership with ZETH International, built a cement project with a daily capacity of 2,800 tons. Currently, the company’s

performance has improved and realized a growth around 300% in 2016. Hengyi Petrochemical from the chemicals industry and Lu Thai A from the traditional textiles industry have both developed new sources of profits by investing and establishing factories in regions including Brunei and Vietnam.

**(III) In addition to provinces with a large number of traditional listed companies, key border provinces have shown a high level of participation**

Provinces with a large number of listed companies such as Guangdong, Zhejiang and Shandong have more companies participating in the “Belt and Road” initiative. Relatively, border provinces show a high participation level. For example, provinces/regions like Xinjiang, Guangxi and Yunnan boast higher than average participation level. See Table 3.

The reasons behind high participation level of border provinces include: on the one hand, key border provinces have location advantages, for example, Xinjiang, Yunnan and Guangxi are located in the “bridgehead” of the “Belt and Road”, and thus having a higher demand for cross-region infrastructure connection construction; and on the other hand, key border provinces enjoy policy advantages. Provinces/regions including Xinjiang, Yunnan and Guangxi have all made the participation in the “Belt and Road” construction their important regional development strategy. For instance, the 2017 Xinjiang Government Work Report puts forward that, to support



the “Belt and Road” strategy, Xinjiang’s regional railway, highway and airport construction investment goal is RMB34.7 billion, RMB200 billion and RMB14.35 billion respectively in 2017, with total investment in transportation and infrastructure close to RMB250 billion.

**Table 3 Regional Distribution of Listed Companies Participating in the “Belt and Road” Construction**

<b>Region</b>	<b>Number of Companies</b>	<b>Total Number of SZSE-Listed Companies<sup>9</sup></b>	<b>Percentage</b>
Guangdong Province	63	434	15%
Zhejiang Province	46	209	22%
<b>Shandong Province</b>	<b>33</b>	<b>116</b>	<b>28%</b>
<b>Jiangsu Province</b>	<b>31</b>	<b>204</b>	<b>15%</b>
Beijing	19	164	12%
<b>Hubei Province</b>	<b>10</b>	<b>57</b>	<b>18%</b>
Anhui Province	9	58	16%
Sichuan Province	8	74	11%
Fujian Province	8	68	12%
Liaoning Province	7	45	16%
Shanghai	7	75	9%
Henan Province	6	45	13%
<b>Jiangxi Province</b>	<b>5</b>	<b>20</b>	<b>25%</b>
<b>Xinjiang Uygur Autonomous Region</b>	<b>4</b>	<b>23</b>	<b>17%</b>
<b>Guangxi Zhuang Autonomous Region</b>	<b>4</b>	<b>19</b>	<b>21%</b>
Hunan Province	4	63	6%
Hebei Province	4	34	12%
<b>Yunnan Province</b>	<b>3</b>	<b>20</b>	<b>15%</b>
Jilin Province	3	24	13%
Chongqing	2	22	9%
Shaanxi Province	2	25	8%
Gansu Province	2	16	13%

<sup>9</sup> As of March 16, 2017

Shanxi Province	1	18	6%
Ningxia Hui Autonomous Region	1	8	13%
Inner Mongolia Autonomous Region	1	10	10%
Tianjin	1	23	4%

**(IV) Financing for overseas acquisition is mainly from companies' proprietary funds and domestic financing**

The capital market provides certain support for the overseas acquisition of listed companies, but this is not the main source of funds. Most of the funds used by listed companies for overseas acquisitions come from cash or domestic non-public offering. At present, acquisitions paid in shares account for a very small percentage (only about 3 companies, see Table 4). Listed companies, especially listed private companies, are encountering difficulties in overseas financing due to lack of overseas acquisition financial instruments, lack of relevant credit rating data, and unfamiliarity with the international financial market.

**Table 4 Listed Companies Adopting Share-based Payment in Overseas Acquisitions**

Short Name	Target Company	Target Country	Payment Method
Golden Glass	Onwards Media Group PTE LTD	Singapore	Share-based Payment
Yantai Moon	Yantai Moon Grp (Hong Kong)	Malaysia	Share-based Payment
Dongcheng Biochemicals	Sino Siam Biotechnology Co., Ltd.	Thailand	Mixed Payment

### (V) Cooperation varies in different countries

As there are relatively big differences in natural resources and economic and political environment among countries and regions along the “Belt and Road”, listed companies adopt different business models in different regions. See Table 5.

**Table 5 Comparison of Main Cooperation Models in Different Regions relating to Participation of SZSE-Listed Companies in the “Belt and Road” Construction**

<b>Region</b>	<b>Main Cooperation Model</b>	<b>Reason</b>	<b>Typical Listed Companies</b>
Central Asia	Construction project contracting	Geographical location and economic development level of Central Asia determine higher demand for cross-region infrastructure construction	Snowman, Xinxing Ductile Iron Pipes, Beixin Road & Bridge
Southeast Asia	Product export, construction projects, overseas manufacturing bases	The region has rich natural and labor resources as well as huge markets, and has high demand for infrastructure construction	Yunnan Aluminum, Sino Great Wall, Er-Kang Pharmaceutical, Lu Thai A
South Asia	Project contracting	There is high demand for infrastructure construction in the region	Dongfang Electronics, Canny Elevator, Beixin Road & Bridge
Europe	Asset acquisition, R&D base establishment	Listed companies have demand for advanced technologies and time-honored brands in Europe	RIFA Digital Precision Machinery, Shandong Ruyi

Construction project contracting is the key business model in Central Asia. Currently there are about 10 SZSE-listed companies engaging in project construction in Central Asia, mainly infrastructure construction projects,

such as Snowman’s natural gas project in Turkmenistan, Xinxing Ductile Iron Pipes’ pipe project and drainage network construction in Kazakhstan, HBP Science & Technology’s natural gas processing plant project in Kazakhstan, and Beixin Road & Bridge’s water conservancy and hydropower project in Central Asia. The reasons include: (1) Central Asia is a hub area for logistics, passenger flow and information flow of the “Silk Road Economic Belt”; and has high demand for cross-border infrastructure construction; (2) Countries in Central Asia have always actively sought cooperation with the “Silk Road Economic Belt”: in 2015, China and Kazakhstan signed multiple documents<sup>10</sup> with projects amounting to USD23.6 billion; China is also working with Uzbekistan to construct the China-Central Asia natural gas pipeline project and Sino-Uzbekistan railway construction project.

In Southeast Asia, the main business models adopted by listed companies include product export, project construction and establishment of overseas manufacturing bases. Currently, key products exported to Southeast Asia by SZSE-listed companies mainly consist of electrical appliances, computers, communications and electronic equipment. As for project construction, about 20 companies are engaged in construction utilizing rich local natural resources in Southeast Asia, such as Yunnan Aluminum’s mineral project in Laos, Sino Great Wall’s World Trade Center construction project in Cambodia, Hengshun Zhongsheng’s industrial park project in Indonesia,

---

<sup>10</sup> Mainly including MOU on Enhancing Production Capacity and Investment Cooperation.

Er-Kang Pharmaceutical's mandioc project in Cambodia, and Hongda Xingye's soil improvement project in Cambodia. Furthermore, Southeast Asia boasts rich labor resources and huge markets. To utilize these advantages, about 17 SZSE-listed companies have established product bases, subsidiaries or joint ventures in the region to reduce production costs and capture the Southeast Asia markets, like the manufacturing bases of Gree Electric Appliances, Luxshare Precision and Supor in Vietnam, the industrial park of Zhejiang Hailiang in Vietnam, and manufacturing bases of Lu Thai A in Cambodia, Vietnam and Burma.

In South Asia, the main business model of listed companies is project contracting. As countries like Pakistan and India in South Asia have high demand for the construction of transportation and power generation infrastructures. Among others, China-Pakistan Economic Corridor is a demonstration project of the "Belt and Road" initiative; China and Pakistan have jointly developed cooperation plans in port construction, transportation infrastructure construction and industrial cooperation, and have identified a number of priority projects that will be implemented actively. Currently, there are about 15 companies engaging in infrastructure construction and industrial cooperation projects in India and Pakistan, including Chenguang Biotech's marigold particle project in India, Dongfang Electronics' power distribution transformation project in India, Canny Elevator's subway project in India, Sinoma Science & Technology's glass fiber production line project in India, Brilliant Elevator's overseas

factory in India, Beixin Road & Bridge's construction projects in Pakistan and India, and Dun'an Environment's nuclear power project in Karachi of Pakistan.

In Europe, SZSE-listed companies mainly acquire assets and establish R&D bases. They mainly target advanced technologies, management expertise and time-honored brands of traditional superior companies in the region. For instance, for the purpose of obtaining advanced technologies, RIFA Digital Precision Machinery acquired MCM and Colgar in Italy in 2014 and 2015 respectively. These two companies are both world-leading machine tool manufacturers with customers including Airbus, Boeing, General Electric and Siemens; for the purpose of obtaining competitive brands, Shandong Ruyi acquired SMCP, a famous French fashion group, securing several renowned apparel brands. Moreover, in order to fully utilize traditional technological advantages of Europe, some listed companies have set up R&D centers in Europe, including Longlive Bio-Tech's overseas R&D center in Denmark, and Hisense Kelon's multiple R&D centers in Europe.

**(VI) There are more private companies than SOEs participating in the “Belt and Road” construction, but SOEs dominate large projects and infrastructure construction projects**

The nature of companies participating in the “Belt and Road” construction and their key participation modes are shown in Table 7. Among 284 sample

companies, there are about 199 private companies, accounting for 70%. However, private companies' participation mainly features product export and establishment of subsidiaries. Local state-owned companies and central state-owned companies are the key force undertaking large infrastructure construction projects. For example, NORINCO International, China CAMC, China Wuyi, China National Complete Plant, Yunnan Aluminum and LiuGong Machinery have undertaken large projects and major engineering projects<sup>11</sup> in countries along the “Belt and Road”. This is because state-owned companies have advantages in scale, financing and policy, which enables them to win bids of large cross-border projects more easily. On the other hand, due to the difficulty in obtaining state policy loans and in obtaining financing in overseas financial institutions, private companies have limited capabilities to contract for large projects, which to some extent affect the ability of SZSE-listed companies to participate in the projects of the countries along the “Belt and Road”.

**Table 6 Nature of Companies Participating in the “Belt and Road” Construction**

<b>Company Nature</b>	<b>Number of Company</b>	<b>Main Participation Mode</b>
Private company	199	Export, establishment of subsidiaries
Local state-owned company	43	Engineering project construction

<sup>11</sup>In facilitating connectivity of infrastructure facilities, centrally administered enterprises and state-owned enterprises undertake the construction and development of a large number of “Belt & Road” strategic channel and strategic pivot projects, including the original Sino-Russia, Sino-Kazakhstan and Sino-Burma pipelines; Sino-Russia, Central Asian and Sino-Burma natural gas pipelines; 10 connectivity power transmission lines for neighboring countries including Russia; Sino-Burma, Sino-Thailand and Sino-Laos railways; Sino-Pakistan Karakoran Highway; and Sri Lanka Hambantota Port.

Centrally administered state-owned company	23	Large project construction
Foreign-owned company	2	Export, establishment of subsidiaries
Others	17	—