China Everbright Securities International CEO Li Bingtao, says most belt and road funds cater to large companies. Photo: K.Y. Cheng

FUND SET UP FOR SMEs IN BELT AND ROAD ZONE

One venture seeks to rectify lack of financing for small- and medium-sized firms, taking part in China's grand initiative to boost regional economies

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Financing for small- and medium-sized businesses taking part in China's "One Belt, One Road" initiative is lagging behind demand, and the financial systems in many of the emerging markets in the countries involved are still not sophisticated enough to cope, according to industry insiders.

That is according to the head of two companies, Oriental Patron and Everbright Securities, who have teamed up with the Finance Centre for South-South Cooperation based in Hong Kong, to set up an offshore investment fund, aimed squarely at helping SMEs build business in the belt and road markets.

"Any business that made money in China in 1980s and '90s would thrive in Southeast Asia in the coming years," Hong Kong-listed Oriental Patron's chief executive Gary Zhang Gaobo told the *South China Morning Post*.

"However, compared with their going global efforts into mature markets such as the United States, companies doing business in countries along the belt and road are facing difficulties getting funded," he added.

Li Bingtao, chief executive of state-backed Everbright Securities International, also based in Hong Kong, said the belt and road's fully equipped financing vehicles such as the Silk Road Fund, the Export-Import Bank of China, and China Development Bank, mainly back large-scale investments, made by state-owned companies.

Its first phase of the funding initiative is worth US$200 million, with redemption of investments expected to be five years, with an option to extend by two years.

Firms applying for funding must demonstrate stable cash flow and a strong local operating team that has already has market share in its target area or region.

Most of that first quota is already taken up, Li said, adding they are now in talks with two Cambodia-based telecommunication firms offering 4G services, both operated by Chinese businessmen, to inject more funding.

"A lot's going on in Cambodia. Chinese companies are laying cables there, building steel towers to support wires, and developing property projects," Li said.

"In general, what China lacked in the 1990s is in great need by Southeast Asian countries today. I have confidence their economies will be like post 2010 China in just ten years," he added. Zhang said the belt and road states "can take a lead from China on how it tackled development, which prioritised infrastructure building.

"Investment returns will broadly rise when infrastructure is improved – that's why China initiated the Belt and Road as a national strategy in 2013."

Infrastructure has become China's most-favoured investment asset in recent years, as it offers stable profit models, falls under regulatory protection, and is defensive against inflation.

> **Investment returns will.. rise when infrastructure is improved**
>
> GARY ZHANG GAOBO, ORIENTAL PATRON

Annual compound growth of equity returns from global infrastructure firms hit 9 per cent during August 2008 to June 2016, topping the 5.7 per cent of average global equities return, according to data quoted recently by Zhang Yiqing, head of equity investment of China Investment Corp.

http://www.scmp.com/business/banking-finance/article/2088215/belt-and-road-fund-created-help-smes-expand-countries