

Selected BRI Case Studies: Shareholder Returns – Additional Upside

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Executive Summary

- Grisons Peak, via China Investment Research, is pleased to present these materials analysing returns on two financially successful BRI projects – both to their Chinese corporate/strategic investors as well as other "halo" effects on real estate in surrounding areas
- Our goals in preparing this short presentation are to demonstrate there are a number of BRI projects which are operational and revenue generating which are already providing a "halo" effect for landowners which are not direct investors in such projects
- We have chosen to analyse successful ports projects as China has invested and/or built dozens of ports over the past decade. As such, we have chosen the ports in two different countries and for different reasons, Sri Lanka (for strategic importance) and Greece (to strengthen logistics and ultimately to bolster tourism to help improve Greek GDP)
- It is important to note that Chinese involvement in these two projects commenced in 2011 and 2010 (respectively) and it took several years to realise returns on the actual projects as well as the "halo effect" on the real estate component. Grisons Peak's unique 10-year old Chinese outbound database has greatly assisted in such calculations
- Over the next several months, we plan to release additional BRI returns studies, as we did earlier in March with our [Exporting the Chinese Model to BRI Countries: Cambodia as a Case Study](#), to aid investors in their search for returns on future BRI investments

Colombo Port/Port City (Sri Lanka)

- In 2010 Colombo port had capacity of 4.8m TEUs, was performing at circa 4 million TEUs and had showed no real growth
- In August 2013, Sri Lanka opened a \$500 million container terminal at Colombo Port, the biggest investment in Sri Lanka. The terminal, built and operated by CMPH will handle 2.4 million containers a year and boost Colombo's capacity by almost 50%. A further two terminals, again with a capacity of 2.4 million TEU, were part of the planned expansion
- In 2014, the first container terminal was completed by CMH. The container terminal is the first in South Asia capable of handling 18,000 TEU vessels
- Q2 2014 – 1st phase of construction completed and 3 berths opened. In Q3 2015, CICT achieved 1 million TEUs. CICT handled 2.0 million TEUs in 2016, up from 1.6 million in 2015, its first full year of operation. Approximately 70% of this volume was achieved through Ultra Large Container Carriers or ULCCs. CICT is expected reach maximum capacity of 3.2 million TEUs by 2019
- It was named Asian port of the year (below 4 million TEUs) during 2017
- As regards financial performance, CICT showed 21.2% growth in 2016 and 18.5% in 2017
- In 2014, it was announced that a Port City Colombo would be built, mostly from reclaimed land adjacent to the port. In early 2018, a consortium led by China Harbour Engineering Company (CHEC) will invest \$1 billion to build three 60-storey office towers

Halo Effects of Successful Chinese Investment into Colombo

CPC – Real Estate/GDP Uplift

- In Sri Lanka, real estate has far outperformed any other asset class since 2014 (Source: Candor Group). Depending on the segment within Colombo, real estate values/land prices increased by 30-50% in 2014-2015 and by an additional 36% in 2016-even before construction began on CPC
- In 2014, President X signed a \$1.4 billion agreement to build a new port city. In 2016, work finally commenced on CPC, after two years of politically related delays
- In 2017 and in 2018 both Chinese/non-Chinese international investors announce plans to invest \$3-4 billion into CPC. Ultimately, CPC could attract as much as \$15 billion investment
- According to the World Bank, Sri Lanka's GDP growth is set to accelerate to 5.1% by 2019, up from a 16-year low in 2016, influenced by the effects of Colombo, Hambantota, increases in tourism and the additional terminal at the airport

Piraeus Port/Cosco (Greece)

- The Port of Piraeus is the largest Greek seaport and one of the largest in the Mediterranean Sea and Europe. The Port of Piraeus is a major employer in the region and is operated by the Piraeus Port Authority S.A. (PPA)
- In June 2010, COSCO signed a \$4.2 billion deal which is composed of a 35-year lease for \$100 million/year and \$707 million to upgrade port facilities, build a new pier and almost triple the volume of cargo the port can handle
- In November 2013, Piraeus Port Organisation (OLP) and Cosco announced new investments amounting to €230 million in Piraeus' port. The agreement includes the construction and exploitation of OLP's West Pier Container Terminal III by PCT, the construction of an Oil Refuelling Pier and the upgrade of Pier II and East Pier Container Terminal III with new mechanical equipment. The investment is expected to create 700 new jobs directly and 1,500 indirectly
- PPA now has total capacity of 6.7 million TEUs; 1 million from locally owned Terminal 1; 3 million TEUs from Cosco owned Terminal II and 2.7 million TEUs from Terminal III which was built by Cosco and became operational in 2013. Before COSCO's involvement, container flows were 1.5 million TEUs/year. By year end 2014, volume rose to 3.58 million TEUs
- In August 2016, COSCO acquired a 51% stake in PPA for €280.5 million, with an option to acquire the remaining 16% over a period of five years for €88 million
- PPA ended 2017, its first full year under a new owner, with net income of €11.3 million (\$14 million), a 68.6% increase compared to €6.7 million (\$8.3 million) in 2016. Turnover rose by 7.7% to €111.5 million in 2017 from €103.5 million in 2016
- In January 2018, Cosco reported container movements at its concession terminals II and III increased 6.4% in 2017 to 3.69 million TEUs, compared to 3.47m TEUs in 2016

Halo Effect/Economic Uplift via FDI and Tourism

- As early as June 2010, Zhang Dejiang, China's vice-premier, led a delegation of 30 leading Chinese businessmen to Athens, signed 11 investment agreements worth hundreds of millions of euros in Greek shipbuilding, logistics, infrastructure construction and telecom projects
- At the time of Cosco's initial 2010 investment, Greece's unemployment rate was 24%. It remains at circa 20% today. Housing prices in Athens peaked in 2009 and remain more than 40% below those values in 2018. However, GDP is improving is expected to be greater than the UK in 2018
- Greece has been able to attract new foreign direct investment, especially over the past few years. Over the past 8 years, Chinese companies have invested an additional circa €7 billion in real estate, tourism, travel and banking (ICBC and CDB) into Greece, all centred around Athens
- In addition to Chinese investments, Greece has been able to attract substantial infrastructure investment. In 2017, Ferrovie dello Stato Italiane (Italy) acquired Greek railway operator TrainOSE (for €45m in equity and assumption of €700m debt), and while Fraport (Germany) signed a 40-year concession for managing and developing 14 regional Greek airports. Fraport paid an upfront concession fee of €1.234 billion plus substantial additional fees annually
- According to the World Tourism and Travel Council, the number of international tourists visiting Greece grew from 14.9 million in 2009 to 24.8 million in 2016 and with the privatisations of the port, rail and airports, Greece remains focussed on developing tourism
- The "Golden Visa Program" was launched in 2013 by the Greek government to attract foreign investors. Through 2017, 1,580 Chinese citizens who have been granted the right to reside, twice the number granted citizens of Russia (787). Chinese nationals have taken almost 50% of the investment licenses Greece has granted to foreign investors through this program. By January 2017, the Greek government issued a total of 1,573 real estate investment licenses to foreigners, out of which Chinese buyers led with 664, followed by Russia
- In mid-2017, the Greek Government approved plans for the Hellinikon Project, an €8 billion investment that is estimated to create more than 75,000 jobs in total and cover over 6 million sqm along the Athens coast. The project funding will be led by Global Investment Group, an international consortium of investors comprised of the Chinese conglomerate Fosun Group (invested in Greek companies Folli Follie and Club Med and owns 12% of Thomas Cook), Eagle Hills from the United Arab Emirates, which focuses on new city hubs and Latsis Group of Greece, a leader in Greek real estate. The consortium plans to build a 200-hectare (494-acre) park along with apartments, hotels and shopping malls at the site, which also includes some venues from the 2004 Olympics and the prior Athens airport