

# Asian Investment Monitor April 2018

## Overview

### North Korea & South Korea

This month, Kim Jong-un became the first North Korean leader to set foot in South Korea since the end of the Korean War in 1953. Kim Jong-un greeted his South Korean counterpart in Panmunjom for the first face-to-face talks in eleven years. The two leaders agreed to turn the Korean Armistice Agreement into a full peace treaty, officially marking an end to the Korean War. The leaders also agreed to work together towards the removal of all nuclear weapons from the Korean peninsula, but it was not made clear as to how denuclearisation would be practically achieved. In the more near term, the two dominions will also be removing the propaganda broadcasts currently installed in the demilitarised zone.

### China & India

The relationship between China and India has reached a boiling point following a tense stand-off last year on the Himalayan border. China's increasing economic influence in the region following its Belt-and-Road initiative has been subject to harsh criticism from India as the initiative passes through Pakistan-controlled Kashmir. As a result, the two countries held bilateral talks aimed at improving their relationship following a difficult year. However, with the Indian general election only one year away and the Indian Prime Minister, Narendra Modi, facing political losses, the administration is actively seeking a resolution with China in hopes that this will secure more votes.

## Deal Activity

There were 171 M&A/PE transactions (Source: Bloomberg) completed in April with a total deal value of USD15.2 Billion originating from the region.

Notable transactions completed in April include:

- Shenzhen Investment Holding Co Ltd acquired 66.7% of Hopewell Highway Infrastructure Ltd for USD1.3 Billion.
- IFM Investors Pty Ltd acquired 100.0% of OHL Concesiones SA for USD2.6 Billion.

## Focus Industry: FinTech – ‘Challenger Banks’

As retail consumers increasingly look for options to meet their banking needs, a large number have turned to ‘challenger banks’, which are defined as ‘a relatively small retail bank set up with the intention of competing for business with large, long-established national banks’.

China has seen the emergence of WeBank, backed by Tencent, and MyBank, launched by Alibaba. WeBank was established in 2015 by Chinese Internet giant Tencent and is China's first private commercial bank with an online-only presence. Alibaba closely followed its rival's footsteps by introducing MyBank later that year. MyBank built its technological infrastructure from low-cost domestic technology manufacturers in order to keep operational costs lower than traditional brick-and-mortar financial institutions. According to data provided by MyBank, the cost of approving a small business loan can be as low as RMB 2 (USD 0.3) on the platform compared to at least RMB 2,000 (USD 314.9) from a traditional banking institution.

In Japan, the Bank of Tokyo-Mitsubishi UFJ (“BTMU”) and KDDI Corporation (“KDDI”) teamed up to create Jibun Bank in 2009, a mobile-only bank which has become the most profitable mobile bank in Japan. This partnership combined BTMU's banking system and KDDI's extensive telecommunications network. The platform has targeted the younger generation who are more inclined to use mobile banking apps. Since its inception, Jibun Bank's assets have been growing at a remarkable rate of 35.9% from 2012-15. The partnership between BTMU and KDDI demonstrated that organisations operating in dissimilar sectors are still able to pursue complementary goals while diversifying their product offering in an increasing consumer-focused world.

Fundraising Date	Target	Target Country	Investor	Investor Country	Transaction Value (USD MM)	Target Valuation (USD MM)
June 2016	WeBank	China	Domestic Investors	China	180.0	5,500.0
September 2017	TNG FinTech Group	Hong Kong	New Margin Capital, Nogle Group, Infinity-KBR Group	Various	120.0	600.0
April 2018	CardUp	Singapore	Sequoia India, SeedPlus	Various	1.7	-

## Investment Manager Commentary

- While the recent inter-Korean Summit could be a sign of the North finally opening up politically, it is important to note that the inter-Korean Summit of 2007 also promised a peaceful relationship between the two countries but no material progress ensued. Furthermore, Kim Jong-un is widely believed to have had his half-brother and uncle executed under his orders last year; anything that Kim promises should not be taken ‘literally’ given his past ‘promises’. South Korea should not take his pleasant demeanour shown during the historic summit at face value as there may be ulterior motives.
- As China's influence in Asia escalates, the Indian government have been left scrambling to retain its relevance in the region. By holding bilateral meetings with the Chinese government, India may have hoped that Prime Minister Modi would be able to reset relations between the two neighbours. Given China's strong ties to Pakistan, relations between China and India may never return to ‘normal’, thus we will not be surprised to witness marked hostility between the countries in coming years.

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