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# Sichuan Development Holding seeks \$300 mln in Islamic financing

BY BERNARDO VIZCAINO

Nov 26 A unit of Sichuan Development Holding Co (SDH) plans to raise \$300 million via Islamic financing in the first quarter of next year, and plans a subsequent \$1 billion Islamic bonds (sukuk) programme, according to the firm advising on the deal.

The proposed transaction would be a first for a Chinese state-owned company and adds to a growing pipeline of sharia compliant deals by mainland firms seeking to diversify their funding sources.

The three-year financing would be raised by the leasing arm of SDH, an investment arm of the Sichuan provincial government, said Bobby Tay, an advisor for Singapore-based Silk Routes Financials.

Murabaha is a common cost-plus sale arrangement in Islamic finance.

There are now five Malaysian and Singapore banks seeking to win the mandate, which could be via sukuk or a murabaha-based syndicated loan, said Tay, also chief strategy officer of Sabana Shariah Compliant Industrial REIT. (Murabaha is a common cost-plus sale arrangement in Islamic finance.)

"After this deal they want to do a \$1 billion Islamic MTN (medium term notes) programme, most likely setup in Singapore. They want to be the first in the market," said Tay.

There is also interest from a government-owned bank which is considering whether to establish an Islamic arm under an onshore securities license, said Tay, who declined to name the lender.

"They are looking for advice on Islamic finance and banking options. They have looked at the experience of both Sabana and of Singapore."

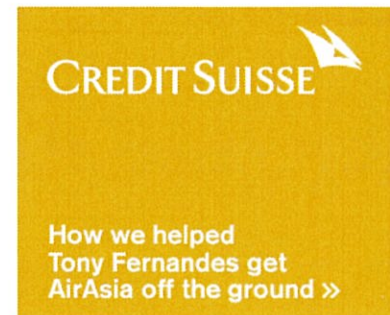
Sabana, set up in 2010 and the world's largest listed sharia-compliant real-estate investment trust or REIT, has used both murabaha and sukuk for its funding needs.

Singapore launched a sovereign sukuk programme in 2009, a first for a non-Muslim majority country, since then issuing a total of eight sukuk worth a combined S\$600 million (\$427.5 million).

Despite low borrowing costs in the onshore bond market, Islamic financing is increasingly seen as an alternative funding option for Chinese firms to tap liquidity from investors in the Gulf and Southeast Asia.

In October, Chinese property developer Country Garden Holdings Company Ltd said it planned a debut sale of sukuk via its Malaysian subsidiary.

HNA Group, owner of Hainan Airlines, plans to raise up to \$150 million in Islamic loans, while its financing arm is also considering an offshore sukuk. (\$1 = 1.4035 Singapore dollars) (Reporting by Bernardo Vizcaino; Editing by Eric Meijer)



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