



■ Loo Choon Chiaw

# I HAVE SO MUCH TO BE THANKFUL FOR?

## Q&A with Loo Choon Chiaw, Managing Partner of LOO&PARTNERS

**ALB1: Would you, as a specialist practitioner in the field, please share with us the current state of the capital markets in the region?**

**LCC:** The equity capital markets in the region, subject to the notable exception of Malaysia, have been slow this year. This could largely be attributable to market volatility resulting from the gloomy global economic outlook and the markets' serious concerns over the continuing euro zone debacle. Malaysia has performed exceedingly well this year! Bursa Malaysia rolled out a total USD7.5 billion of new listings, including Felda Global Ventures' USD3.3 billion IPO, IHH Healthcare's USD2.1 billion IPO and Astro Malaysia's USD1.5 billion IPO. While the IPO markets in the region have not been roaring this year and notwithstanding the postponement of several planned major IPOs, namely, Croesus Retail Trust's SGD800 million IPO, the IPO of Hong Kong Billionaire Li Ka-shing's Horizon Hospitality (Holdings) and GE-backed Altitude Aircraft Leasing Trust's USD750 million IPO, there is still a healthy pipeline of IPO deals waiting to tap the markets. One must not write off the IPO markets in the region.

**ALB2: Indeed. In the third quarter this year, the Asian region actually accounted for 80% of the equity capital raised globally. How about the debt equity markets in the region?**

**LCC:** More corporations in the Asian region are now tapping the bond markets to fund their long-term capital needs. New issues are performing well. The volume of new bond issues is soaring. The new bond issues in Asia (excluding Australia and Japan), amounted to approximately USD706 billion as of 31 October this year. The bond markets are certainly hot, which caused a leading investment house to warn about a possible Asian bond market bubble!

**ALB3: What are the main reasons for this trend?**

**LCC:** This trend is largely liquidity driven. There is rising liquidity in the markets as the central banks in the U.S. and Europe undertake quantitative easing measures. The low interest rates in the U.S. (incidentally, the Federal Reserve has on record indicated that it would probably hold the federal funds rate near zero until at least mid-2015) likewise give the dollar-based investors strong reasons to look for alternative investments with better yields. Similarly, worried investors from Europe, including their central banks, are looking for a safe refuge to park their funds in the light of the risks and uncertainties surrounding the continuing euro zone debacle.

**ALB4: Do you think that this trend can be sustained?**

**LCC:** In the past, most corporations in the region rely on bank financing to satisfy their long-term funding needs. Bank interests have been relatively low. There has not been any strong reasons to look for an alternative source of funding. However things are quite different now. While the interest rates remain relatively low, bank loans are no longer so readily available. The European banks, which were active in funding the regional corporations, have withdrawn from

lending. The increase in regulatory control over lending has also caused banks in general to be more cautious in lending. Thus, Asian corporations have recently adopted bond issue as a corporate finance instrument in reducing their reliance on bank loans and in satisfying their long-term funding needs with lower costs. As more corporate investors and sophisticated high net-worth individual investors become less risk-averse and embrace bonds as an alternative investment to equity, I am optimistic that the Asian bond markets will continue to grow from strength to strength.

**ALB5: Has your firm been busy with work relating to the emerging markets?**

**LCC:** Our Natural Resources and Energy (NRE) Practice colleagues are currently wrapping up the on-going coal-delegated port facilities project in the Sovgaran special economic zone in Russia. Our NRE team has also been busy with instructions relating Myanmar (a proposed RTO by a Myanmar conglomerate of a listed entity), Mongolia (a proposed IPO by a Mongolian group) and Indonesia (a series of acquisitions of interests in coal mines).

**ALB6: Have your colleagues encountered any difficulties when executing the projects?**

**LCC:** Absolutely. The execution process in each jurisdiction has not been a bed of roses. In addition to the cultural and language differences in each jurisdiction, there has been much uncertainty over its legal and regulatory provisions (very often the clarifications provided by the relevant authorities and the local legal practitioners have not been too helpful either). Many of the large conglomerates in Myanmar are controlled by individuals who are on the Specially Designated Nationals (SDN) List maintained by the U.S. Office of Foreign Assets Control ("OFAC"). The SDN List has not been withdrawn notwithstanding the recent visit to Myanmar by President Barack Obama. It would be difficult for such a conglomerate to undertake an IPO or RTO abroad as it would be difficult for the relevant exchange to turn a blind eye to the SDN issue. Whilst Mongolia has transformed itself, over the last 20 years, from a socialist country to a vibrant multiparty democracy, and has been able to attract substantial foreign direct investments (FDIs) from the likes of Rio Tinto and Ivanhoe Mines, there are still serious concerns over its foreign investment law, for instance, the recently enacted "Strategic Entities Foreign Investment Law" appears to be restricting foreign ownership of assets and access to use rights in key sectors, including the natural resource space. Although there is ample room for FDIs to grow in Indonesia, especially in the natural resource sector, the lack of regulatory certainty poses a serious problem to foreign investor. In this regard, the widely publicised resignation of British-born financier Nat Rothschild from the board of Bumi Plc, one of the world's biggest coal exporters, and the recently introduced 51% compulsory divestment of shareholding by foreign mining licence holders have naturally dampened investor sentiments.



Loo & partners LLP  
 俊昭法律事務所

Loo & Partners LLP

- A: 16 Gemmill Lane  
Singapore 069254
- T: (65) 6322-2288
- F: (65) 6534-0833
- E: ccloo@loopartners.com.sg
- W: www.loopartners.com.sg

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**ALB7: As 2012 will be ending soon, should we be excited about 2013 in view of the change of leadership in China and the return to office?**

**LCC:** Projecting one month ahead, 2012 looks set to be a very thin year for corporate finance practices. With the re-election of President Barack Obama and the anointment of Mr Xi Jinping as PRC's new leader, most analysts expect the U.S. and the PRC to live at peace with each other. On the economic front, most believe that the two countries will continue to work on areas of common interests. The relationship is really symbiotic. The mutual dependence and reliance cannot be over-emphasised. The PRC provides a huge market to American businesses. The PRC's substantial (and growing) foreign reserves also come in handy (the PRC happens to be the largest creditor nation of the U.S.). In a similar vein, the PRC businesses need access to the huge U.S. market and its modern technology. As the largest creditor nation to the U.S., the PRC would also be mindful before taking any action which may cause any permanent harm to the American economy. With the two major economic powers living in harmony, and barring any worsening of the euro zone position, there will be a better chance for a global economic recovery, which will benefit the region. All in all, 2013 will turn out to be a much better year than 2012 for all.

**ALB8: You are reputed to have a quality and most loyal clientele. Many of whom have stayed with you for about three decades. How do you manage that?**

**LCC:** It is difficult to retain clients these days when they are all spoilt for choices. I have my fair share of anxiety over the issue. I certainly do not have a secret recipe. From day one, I have positioned our firm to be the strategic partner of our clients (not many in the early days!). This has become our mission since then. Let me explain, we do not just see our firm as the legal service provider per se and wait passively for clients' instructions. We are proactive. We try our utmost to understand our clients' businesses. We pay close attention to developments which are taking place that may have an impact, whether positive or negative, on our clients' businesses. We do not just confine our focus on the new or proposed legislations or regulations. We try to understand the policy reasons behind those proposed laws. We also put in intense efforts in keeping ourselves abreast with the current issues affecting our clients' businesses, for instance, each of our NRE colleagues will have at least a good understanding of issues concerning "climate changes", "global warming", "acid rain", "zero-carbon technology", "greenhouse gas policy", "renewable energy policy", "carbon credit", "carbon trading", "green investments" and so on. We ask ourselves regularly what our clients would need and try to equip ourselves accordingly so as to stay relevant and provide value add, when any opportunity arises. We meet our clients on a regular basis to share our thoughts on matters, which in our view, may affect their businesses, even when we are not working on any matter with our clients at the material time.

**ALB9: So the key is really to work hard and sharpen one's skill sets for future use by clients?**

**LCC:** Yes. One needs to work very hard to excel in one's practice area. However, just working hard may not be

enough. Clients must see the value add which one can provide. We believe that clients find the commercial utility and pragmatism of our advice useful. It helps them in their own decision making process whether it concerns the choice of the appropriate territory for the launch of their products; the choice of the appropriate jurisdiction where they ought to domicile their funds or the special investment vehicles for their intended acquisitions; the preferred governing law, the appropriate manner and forum in which any dispute arising from their proposed venture ought to be resolved; the appropriate venue in which they should list their businesses; the preferred jurisdiction (and the particular court) which they should file their claim against their opponents, when a dispute over an existing venture arises. The list goes on. We have managed to survive all these years despite several global and regional financial crises. We must have done something right. It has been a most tiring and trying (but extremely satisfying) experience in building up a legal practice from scratch. I have been blessed with a team of totally dedicated, very competent, extremely loyal colleagues. This greatly reduces my burden and makes my task much more enjoyable!

**ALB10: Any concluding remarks for our readers?**

**LCC:** Most of us have just celebrated Thanksgiving. I have so much to be thankful for, in particular for a loyal and forgiving clientele and a team of most caring and supportive colleagues, which I have been blessed with (and do not really deserve)!

#### WE ARE OUR CLIENTS' PARTNER

We regard ourselves as our clients' strategic partner when tackling their daily challenges. No stone shall be left unturned in our daily search for the most effective legal solution to meet the special needs of each of our clients.

#### OUR MEMBERS ARE OUR ASSETS

In Loo & Partners, every individual (no matter what position he or she occupies) is a member of our team and an asset to the firm. We are constantly searching for persons with the requisite qualities to join our team.

#### WE ARE A LOCAL FIRM WITH REGIONAL CAPABILITIES

We strive as follows:

- To be the best amongst our peers
- To attract and retain committed team members
- To enable each member to attain his or her full potential
- To be our clients' strategic partner in tackling their daily challenges
- To implement changes necessary to serve our clients better, increase efficiency and reduce costs
- To maintain a level of profitability that sustains growth, funds further investments to enhance our overall capabilities and provides fair rewards to members