■ Loo Choon Chiaw

"WHEN THE SUN SETS, THE MOON RISES"

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

ALB: **As we are already in the second month of 2013, could you share with us your views on how the capital markets will perform in 2013?**

Loo Choon Chiaw: Notwithstanding that there are ten more months ahead of us, I shall nevertheless venture my views in the light of what I have seen, heard and read to date. A word of caution though, as a born optimist, I will likely err on the side of optimism.

ALB: **Great! Shall we start with the M&A sector?**

LCC: Sure. Although 2012 was generally considered to be a 'lean' year for capital markets practitioners, it actually witnessed more Asian companies venturing outside the region and acquiring assets there rather than non-Asian companies buying into the assets located in the Asia. Should the current impediments to business confidence, namely, the uncertainties surrounding the global economy caused by, for instance, the continuing Eurozone debacle and the unresolved US fiscal cliff, be removed or substantially reduced, this uptrend will become even more visible in 2013. This year will not be a 'fat' year. However, more cash-rich Asian companies will be scouting for growth opportunities. We will see PRC entities entering into more mega-deals in Europe, a market swamped with many willing sellers but few serious buyers with deep pockets. More European household names and brands will fall into the hands of the PRC entities!

ALB: **Why do you think that 2013 will not be a 'fat' year?**

LCC: Even a born optimist must not be placing too high a premium on optimism and turning a blind eye to the surrounding circumstances. In addition to the Eurozone debacle and the US fiscal cliff, which I have touched on, there are other obstacles which will discourage a potential Asian company from embarking upon a cross-border acquisition, for instance, the difficulty in achieving an effective cross-border integration, which prevents the full realisation of potential synergies; the difficulty in navigating the increasingly complex regulatory regimes; and the higher sovereign or political risks faced by an Asian company now when it attempts to acquire foreign assets.

ALB: **Can you please elaborate on what those sovereign or political risks are?**

LCC: Although it may be politically incorrect to do so, I shall attempt to share my thoughts. Sovereign or political risks, not least in the form of a regulatory approval for foreign investment, including the anti-trust regulatory measures implemented by some states, continue to be a serious concern, in particular where the predator or acquirer is state-owned or state-linked. Protectionism seems to be on the rise, as can be illustrated by the veto or intense regulatory scrutiny faced by the PRC entities in their acquisitions of North American assets, eg, the opposition by the US government of the proposed acquisition by Ralls Corporation, an US corporation owned by PRC individuals, of four wind farm sites purportedly on the ground of national security as the sites were allegedly too close to a US navy base. Further, the global trend of resource nationalism appears to be on the rise as well, as has been seen in the marked increase of instances of actual or threatened expropriation of foreign-owned assets, eg, the opposition by the Mongolian government of the proposed acquisition by Chalco, a PRC state-owned entity, of SouthGobi Resources, a mining corporation in Mongolia. To deter Chalco's proposed acquisition, the Mongolian government even issued an express threat that it would revoke SouthGobi's mining licence should it be acquired by Chalco. Similarly, the European Commission had indicated that it might regard multiple PRC state-owned entities as a single commonly-controlled composite entity for the purpose of competition law. Quite clearly, the proposed move was designed to inhibit acquisitions of European assets by PRC state-owned entities. Nearer to home, the Indonesian government has announced that foreign ownership of certain mineral resources shall be capped at a ceiling of 49%. There is no sign that this trend will not continue in 2013.

ALB: **Which sectors do you think will see the highest level of M&A activities in 2013?**

LCC: If I were a gambling man, I shall bet on financial services, consumer goods, telecoms, media, technology, energy and resources sectors.

ALB: **The U.S. Securities and Exchange Commission (SEC) recently filed charges against the PRC affiliates of the Big Four accounting firms for refusing to produce the audit work papers and other documents related to China-based companies. Will this have any impact on the capital markets?**

LCC: We will see more de-listings of PRC-based companies from foreign exchanges in 2013.

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ALB: Has the PRC government introduced any measure to attract in-bound investments?

LCC: With the launch of a series of implementing guidelines under China's 12th five year plan in 2011, the PRC government had signaled its proactive support for in-bound investments. This provides a more positive policy environment for M&A transactions and cross-border investments in the relevant sectors. In addition, the smooth transition of PRC's top leadership in November 2012, together with statements issued by the new leaders regarding the acceleration of economic reform and liberalisation, will no doubt instill investors' confidence and augur well for Chinese M&As.

ALB: How will the regional equity capital markets perform this year?

LCC: I am cautiously optimistic that 2013 will see the limited revival of the equity capital markets in the Asia Pacific region. Again, I do not foresee a 'fat' year. Most industrial players expect the PRC IPO market to recover in Q2 as there is a strong pipeline of listable entities. IPO activities in Hong Kong shall also pick up as Hong Kong clears the backlog of IPO filings from PRC entities, and as the regulators relax the H-share listing approval process, which will encourage more PRC entities to opt for H-share listings or convert their B-shares into H-shares. The successful B-to-H share conversion by Chinese International Marine Containers in December last year will encourage more such conversions. There are more than 100 PRC entities currently listed on the B-share markets of the Shanghai Stock Exchange and the Shenzhen Stock Exchange. There is potential for Hong Kong to do well. Closer to home, Malaysia does not appear to be in a position to replicate its stellar success last year. In Singapore, some sizable listings are expected to make their way this year, especially those relating to business trusts and REITs. A total of about 20 to 30 companies are expected to launch their IPOs in Singapore this year. Should market conditions improve, some suspended IPO plans, eg, Dynasty REITS, Formula One Group and Reliance Communication, may even be revived this year.

ALB: Asian bond market saw a record number of issuance in 2012. Do you expect such trend to continue this year?

LCC: From all indications and in the short term, the debt market does not appear to be at risk of a major sell off. The low yield environment makes it more cost effective for companies to lock in long term funding through bonds rather than bank loans. It is unlikely for central banks, such as the Federal Reserve, to raise interest rates as the global economy is still not out of the wood. There is still a real demand for the issuance of corporate bonds. The debt markets can, of course, shift suddenly if market sentiments greatly improve or when the investors lose confidence in the ability of the central banks to contain inflation or when energy prices shoot up drastically. In those circumstances, yields will move up sharply and bond issues will become more costly, which will in turn discourage companies from entering into the bond market.

ALB: Do you foresee any likely change on how the bond issuance is structured in Asia?

LCC: Prompted by the underperformance of some high-yield bonds, some investors are now insisting on the structural enhancement of bond issues. In some cases, the issuers have succumbed to the pressure from investors and agreed to offer tighter structures and higher yields. For instance, PRC's Longfor Properties and Future Land Developments took the unusual step of offering guarantees from its subsidiaries outside the PRC. This move mitigated fears that the weak bankruptcy protection in the PRC will expose the offshore lenders in the event of the issuer's liquidation. DBA Telecommunication Asia Holdings, which provides intelligent self-services, even had to tighten its deal structure during book building, in providing an escrow account to hold the Reg S bond's first coupon payment. The move was an effort to calm investors' nerves ahead of its debut issue in the untested business model of telecom equipment sector.

ALB: What has been keeping your firm busy in the past few months?

LCC: Other than the daily attendance of the run of the mill banking, corporate and securities matters, there has been an increase in instructions relating to shipping and aircraft financing, funds, wealth management, regulatory compliance by financial institutions, corporate restructuring and arbitration work. Our energy and resources practice colleagues have been kept busy with the wrapping up of two acquisitions of resources and port facilities in Indonesia and Russia. Our litigation and arbitration practice colleagues have been making frequent trips to Taiwan in relation to several major commercial arbitrations. Our project financing practice colleagues are currently in Korea conducting due diligence on a medical park located in Jeju Island.

ALB: According to the Chinese zodiac, 2013 is the year of the fire snake and some have predicted that as the fire snake meets the water year, 2013 will be an inauspicious year. Are you ready for the challenges ahead assuming that the predictions were true?

LCC: The study of Feng shui (风水学) was not one of my subjects during law school. How I wish we could just run our practice based on Feng shui. Unfortunately life is not as simple. I have witnessed several global and regional financial crises since the firm was established in 1985. We are always ready to tackle challenges head on. We incorporate more companies, draft more syndication loan documentation, help to list more companies and execute more M&As during a fat year. We do more corporate restructuring, draft more standstill and settlement, execute more distressed deals, liquidate more companies during a lean year. As the Chinese proverb goes, "when the sun sets, the moon rises; when the moon sets, the sun rises."

OUR PHILOSOPHY AS REPRESENTED BY OUR CORPORATE LOGO

The simplicity of our logo echoes our approach when providing legal solutions in meeting clients' needs: simple and effective, concise but not prolix.

Our logo epitomises our corporate philosophy. It underlines the strong sense of esprit de corps which we cherish. The t pair of oval rings represent our clients and our firm. We regard ourselves as our clients' strategic partner when tackling their daily challenges.

While the two oval rings are similar, they are by no means identical, each has its distinct identity. The upper (and heavier) ring represents our clients. It reminds us of our solemn oath to do our utmost in the discharge of our duty to our clients. We are represented by the lower ring. It affirms our consistent approach in subordinating our interests to those of our clients.

Although we are close partners of our clients, we, nevertheless, ensure that there is a sufficient space between us, symbolised by how the two rings are positioned: proximate yet separate, giving us the requisite objectivity in recommending to our clients-partners the best options in meeting their daily challenges.

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.

OUR CORPORATE COMMITMENTS

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