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"IPOS, GLOBAL RISKS, DIGITAL ATTORNEY AND UBERISATION"

General discussions with **Loo Choon Chiaw**, Managing Partner of Loo & Partners LLP

ALB: How did the IPO market perform in the Asia Pacific region for the first half of 2016?

LCC: While the performance of the Asia Pacific region in the first half of 2016 was not as good compared to its performance in the first half of 2015, it nevertheless appeared to have been the most active region globally and accounted for approximately 52% of the total number of IPOs. It also ranked second, in terms of the total proceeds raised, capturing 40% of the total global proceeds raised. Some of us may be surprised to learn from 'EY Global IPO Trends 2016' the performance of each of the regional bourses: Hong Kong Exchange (HKEx) raised US\$5.6bn; Shanghai Stock Exchange (SSE) raised US\$2.5bn; Shenzhen Stock Exchange (SSE) raised US\$2.4bn; Tokyo Stock Exchange raised US\$1.7bn; Australian Stock Exchange raised US\$1.4bn; and Singapore Exchange (SGX) raised US\$1.2bn.

ALB: How have the ASEAN IPO markets been doing so far this year?

LCC: In the light of the negative factors prevailing then, including the general adverse sentiments of the financial markets across the world, the volatility of the commodity prices, the uncertainty surrounding the result of UK's Brexit referendum and the lower corporate earnings announced by the global leading corporations, ASEAN exchanges had a weak start in the beginning of 2016. Things only appeared better in the second quarter.

ALB: The Stock Exchange of Thailand (SET) had the strongest IPO market in the ASEAN region in 2015. How did SET and the other ASEAN exchanges perform to date?

LCC: While there have been listings on the SET (which raised a total of US\$147m), the Indonesia Stock Exchange (IDX) (which raised US\$329m), the Bursa Malaysia (Bursa) (which raised US\$121m) and the Philippine Stock Exchange (PSE) (which raised US\$552m) in the first eight months

of 2016, SGX, with five big IPOs on its mainboard, namely, Fraser Logistics & Industrial Trust (which managed to raise S\$928m), Manulife REIT (which managed to raise S\$648m), EC World REIT (which managed to raise S\$346m), China Jinjiang Environment (which managed to raise S\$197m) and Procurri Corporation (which managed to raise S\$39m), together with 10 small Catalyst listings, managed to raise in excess of US\$1.65bn, emerged the top performer for the period.

ALB: Do you think the SGX will continue to perform well for the rest of 2016?

LCC: Singapore's IPO market visibly improved in the first eight months of 2016. Not only was there an increase in market activities, there has been a notable emergence of bigger deals, as illustrated by the listings of Fraser Logistics & Industrial Trust, Manulife REIT and EC World REIT, which I have touched on. Barring totally unforeseen circumstances, which greatly erode market confidence or adversely affect liquidity, I am confident that the SGX will leverage on the momentum brought about by the bigger listings in enhancing both the breadth and depth of the local IPO market.

ALB: Should the privatisation wave of the companies listed on the SGX be a cause of concern?

LCC: According to available public information, 20 listed companies exited from the SGX last year and another 18 listed companies exited in the first eight months of 2016. Among them are high-profile companies, for instance, SMRT Corporation, the multi-modal public transport operator of Singapore which will be privatised pursuant to a buyout offer from Temasek Holdings, Singapore government's investment firm, Neptune Orient Line (NOL) pursuant to a takeover bid made by French competitor CMA CGM, and Eu Yan Sang, one of the largest Traditional Chinese Medicine group outside of China pursuant to a takeover bid made

by a consortium comprising UOB-backed fund, a Temasek Holdings unit and Eu Yan Sang's chief executive officer. Some other listed companies also have publicly made known their intention to exit from the SGX. This is certainly a matter which the SGX must address.

ALB: How did the Hong Kong IPO market perform in the first half of 2016?

LCC: As noted in 'EY Global IPO Trends 2016', the Hong Kong IPO market this year has been relatively quiet due to the same negative factors which affected the ASEAN markets and the market's concerns over the significant and visible economic slowdown in mainland China. The first two quarters of 2016 merely witnessed 23 IPOs on the mainboard of HKEx, raising total proceeds of US\$5.6bn, which represented a drop of 26% and 67%, respectively on the same period last year.

ALB: What about the outlook for the rest of 2016?

LCC: As at August 31, 2016, HKEx has added 24 new IPOs (which managed to raise US\$4.1bn) since the first half of 2016. Industry sources expect the Hong Kong IPO market to greatly improve for the rest of 2016 in view of the strong pipeline of IPO aspirants, including some big companies among them, awaiting the correct timing to list.

ALB: Which sector was the top performer in terms of the total proceeds raised in Hong Kong?

LCC: Undoubtedly, the financial sector was the top performer thus far. Many of the financial institutions from mainland China took advantage of the shorter lead time of the IPO process on the HKEx as opposed to that requisite for an A-share listing, for instance, China Zhesang Bank Co., Ltd (which managed to raise US\$1.9bn) and Bank of Tianjin Co. Ltd. (which managed to raise US\$989million). Incidentally, the Chinese state-owned Postal Savings Bank of China has just raised HKD56.6bn from its recent IPO in Hong Kong.

ALB: What are the major risks that would have a serious adverse impact on the capital markets?

LCC: It is interesting to note the risks which has been identified by the Economist Intelligence Unit in its latest report on global risks, which include the following. China experiences a hard landing; the occurrence of Grexit; the disintegration of the EU; the persistent weakness

in the commodity prices and currency depreciation; the rising threat of Jihadist terrorism resulting in the destabilising of the global economy; the emergence of US President Donald Trump; the escalation of the South China Sea dispute resulting in clash of arms among the parties; rising tide of political populism in the OECD resulting in a retreat by member countries from globalisation; and a collapse in the investments in the oil sector prompting a future oil price shock.

ALB: It is now in vogue to speak of the 'uberisation' of professional services. As a senior practitioner, do you think that lawyers will be replaced by sophisticated computer programmes because of uberisation?

LCC: I assume that you are using the term 'uberisation' to mean the utilisation of computing platforms, especially mobile applications, to facilitate transactions directly between the service providers and their customers, which enables the former to sell its underutilised capacity of resources to the latter directly. This business model has been used by Uber Technologies Inc, an American multinational (as of August 2016, Uber services were available in 66 countries and 507 cities worldwide) online transportation network company, with great success. Uber mobile 'app' allows a consumer with his smartphone to submit a ride request to the Uber drivers, who uses his own personal cars, who are nearest to him. While I totally agree that the legal profession should embrace new technologies to enhance its efficiency, I am not convinced that lawyers could be replaced by sophisticated computer programmes in the foreseeable future.

ALB: Why not? Are you not encouraged by the appearance of "Ross", the world's first digital attorney, powered by IBM Watson, a powerful cognitive computer programme, who was recently hired by BakerHostetler, a Ohio-based law firm founded in 1916, to handle bankruptcy matters?

LCC: I have certainly read about "Ross", the famed Digital Attorney and have been greatly impressed by the sophistication of IBM Watson, the cognitive computer programmes that powered "Ross", as apparently "Ross" has been designed to understand natural language, provide answers to questions and formulate hypotheses. Notwithstanding the appearance of "Ross", I am still not convinced

that digital attorneys like "Ross" will be able to replace competent human lawyers, hereby the former could produce an accurate legal opinion upon the receipt of an opinion request, similar to an Uber ride request, based on a set of material facts. Even if such sophisticated computer programmes could be developed, one would still need a competent human lawyer to sift through all the facts to distil the relevant and material ones and to decide on the veracity or otherwise of the legal data and the weight which each fact ought to be attached, and to provide the distilled summary to the digital attorney for opinion.

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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 funds further
- investments to enhance our overall
- capabilities and provides fair rewards to members



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