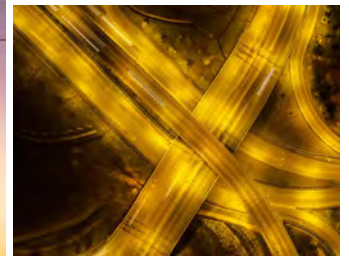
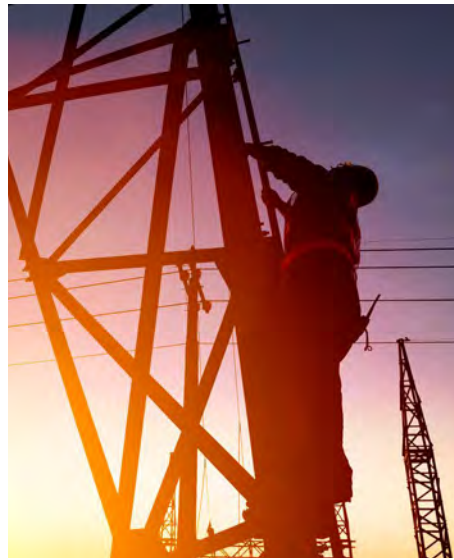




ASIA PACIFIC M&A REVIEW 2018

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Welcome

Welcome to the Herbert Smith Freehills Asia Pacific M&A Review for 2018.

In this edition we review the developments in M&A in a wide range of countries and territories in the Asia Pacific region throughout 2017, and discuss the expected market trends for 2018 and beyond.

Should you have any questions in relation to M&A in the Asia Pacific region, please contact our partners across our network.

The Herbert Smith Freehills M&A Team

Herbert Smith Freehills

2017 was another standout year for Herbert Smith Freehills. Recent achievements include being the only international firm to be ranked in the Top 3 firms for M&A transactions in Southeast Asia in 2016 and 2017 combined, by both value and volume.

The firm was 2nd by deal count and 3rd by deal value for Asia Pacific (ex. Japan) announced deals in 2017 and 1st by deal count and also value for announced and completed deals in Australasia (Bloomberg, Mergermarket).

Herbert Smith Freehills continued to act on the largest and most high-profile M&A transactions in the Asia Pacific region in 2017, securing separate 'deal of the year' recognition in each of Hong Kong, Australia, Japan, Singapore, and the Asia Pacific region at large (see page 48 for further details).

Asia Pacific M&A in 2017

Key themes across the 2017 Asia Pacific M&A market include:

- 1 Political and regulatory developments**

Despite the increase in M&A activity, political and regulatory developments softened the result in a number of jurisdictions. This was most noticeable in China where, as predicted in last year's edition of this Review, the effect of controls on capital reduced outbound deal activity compared with the record highs seen in 2016.
- 2 Technology M&A**

Technology-oriented M&A deals were a significant feature. Southeast Asia was a noticeable hot spot, with funding for Southeast Asian start-ups hitting record levels and companies operating in the fintech and e-commerce sectors attracting high levels of interest.
- 3 Energy and resources**

Energy and resources transactions accounted for a large number of 2017 deals, in particular through privatisation. Gas and coal were the key assets changing hands, although ongoing political and economic momentum saw renewables perform strongly.

Asia Pacific M&A: the year ahead

Predictions for the broader Asia Pacific M&A market for 2018 include:

- 1 Technology one to watch**

The technology sector will continue to be a key deal sector in 2018, as companies in an increasing variety of sectors focus on the strategic acquisition of technological assets in order to gain a competitive edge. The increased focus on distributed ledger technologies such as blockchain is also likely to drive M&A activity. We also expect cybersecurity and data protection to be key areas of focus for acquirer diligence in 2018.
- 2 Private equity active**

Deal making activity across the Asia Pacific region will be bolstered by strong buy-side activity on the part of private equity players, fuelled by record levels of dry powder and positive market conditions for funding. We expect to see a focus on acquisitions in the consumer products and services, business services and healthcare sectors, along with an uptick in activity in the TMT and infrastructure sectors.
- 3 The rebound of China outbound**

Following reduced outbound deal activity in 2017, we expect China outbound M&A to increase in 2018 in the wake of the Chinese Government's revised policy on foreign investment and increased clarity around the operation of the new regulatory regime. In light of those policy reforms, we expect to see a targeted focus on businesses operating in countries covered by the Belt and Road Initiative, particularly in the energy and infrastructure sectors.



Australia

A big year ahead for M&A

2017 Highlights

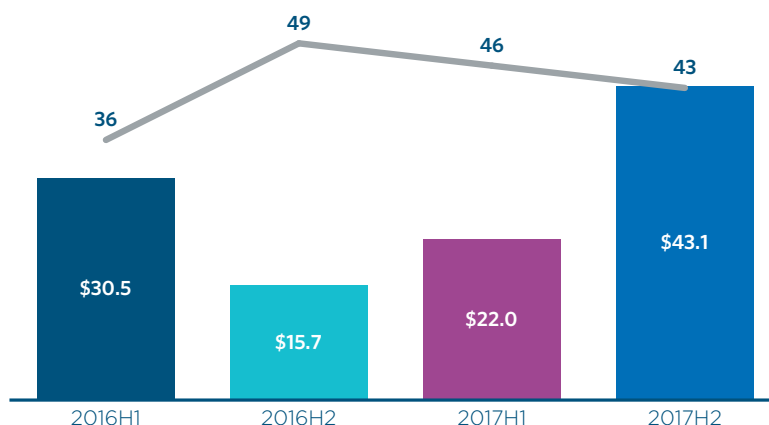
- M&A activity was mixed in 2017, with the December announcement of Unibail-Rodamco's A\$32bn acquisition of Westfield masking an otherwise slower year for public M&A, by value, compared to 2016. In spite of this, deal volumes were largely consistent with 2016 levels.
- 2017 also saw significant private M&A activity, particularly in the energy and financial services sectors, with the NSW Government's sale of a majority stake in Endeavour Energy, CBA's sale of its life insurance business and ANZ's disposal of its wealth arm.
- Foreign inbound investment continued at high levels, with Chinese and European acquirers well-represented.

The state of the market

"Patchy", "mixed" and "choppy" are some heavily used adjectives describing 2017's market. Excluding the late breaking Westfield mega-deal (A\$32bn), total public M&A deal value was down by approximately 30%. Interestingly, as illustrated in the graph below, deal volume was broadly consistent with 2016, with 89 Australian public M&A deals announced in 2017.

While the value of public M&A transactions was lower in 2017 than 2016 (excluding the Westfield mega-deal), this was more than offset by the large number of high value private M&A transactions announced throughout the year, including CBA's sale of its life insurance business to AIA Group (A\$3.8bn), the NSW Government's sale of a 50.4% stake in Endeavour Energy to a consortium of Australian and international investors (A\$7.6bn) and Origin's sale of Lattice Energy to Beach Energy (A\$1.6bn).

Total value (A\$bn) and number of announced Australian public M&A deals



Source: Mergermarket*



Highlights from select transactions

2017 was, in many ways, the year of the Tabcorp/Tatts merger (A\$11bn). The scheme, which was subject to intense scrutiny in both the Australian Competition Tribunal and judicial review proceedings brought by the ACCC and competitor CrownBet, was ultimately granted competition clearance and resoundingly approved by shareholders. The merger's regulatory rollercoaster is something which future deals may hope to avoid (while expecting to encounter), particularly given the realities of increasingly interventionist regulators and their focus on Australia's concentrated industries. Players need to be prepared for a long game, and need to implement deal structures which can withstand significant regulatory intervention and interface over a lengthy period.

Infrastructure was also a constant theme in 2017 - the Endeavour Energy sale (A\$7.6bn) saw the last privatisation (for now) of a "core" infrastructure asset, while the sale by New South Wales and South Australia of their land titles registry businesses (A\$2.6bn and A\$1.6bn respectively) highlights the expanding definition of this asset class. The secondaries market also ran hot, with notable deals including CKI's takeover of DUET (A\$13.1bn), Alinta's sale to Chow Tai Fook Enterprises (A\$4bn), and Alinta's subsequent acquisition of Loy Yang B (A\$1.2bn).

In a related sector, the number and value of renewable energy deals in 2017 was extraordinary - GoldWind's acquisition of the Stockyard Hill Wind Farm from Origin, underpinned by the largest wind farm power purchase agreement in Australia, was a standout deal here.



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Predictions for 2018

Our key predictions for M&A in Australia in 2018 are as follows:

- 1 Higher deal volumes**

While we expect deal activity in 2018 to be described as “mixed”, as 2017 was, we think there are enough positive motivators – including capital availability, strategic imperatives, and a desire not to be left behind – to drive greater deal activity across a wide variety of sectors and geographies. Those motivators, along with renewed global business confidence, will also see Australia get its share of mega-deals, which will help the aggregate value equation. Expect to see a couple of new entrants into the list of top 10 Australian M&A deals next year.
- 2 Foreign Investment Review Board remains in the spotlight, and is joined by the Critical Infrastructure Committee**

Regulation of foreign investment will remain a hot topic. FIRB, in conjunction with the newly-minted Critical Infrastructure Centre, will continue to take an active interest in a large number of transactions. Of particular relevance will be (unsurprisingly) energy and infrastructure, along with any businesses where data or technology aspects could be perceived as having a national security dimension. And that’s of course not to forget agricultural land.
- 3 Loan-to-own deals continue to star**

Loan-to-own deals effected by way of creditors’ schemes of arrangement are becoming a staple in the Australian M&A landscape. This year saw significant deals in the space such as Boart Longyear, Slater & Gordon and Bis Industries. Important developments also emerged, including from the New South Wales Court of Appeal’s consideration of the Boart Longyear matter – the most important Australian court decision in the scheme of arrangement space in almost 40 years. We see a strong future for these deals in 2018, with continuing refinement to the procedures as courts and market participants explore the uncharted legal issues on these deals.
- 4 Private equity reassesses the public space**

2017 had its share of swings and misses for private equity in the public deal space. Vocus and Fairfax come to mind. This has led at least some private equity houses to reflect carefully about dances with listed companies. A word of caution to listed boards: the private equity approaches that are made in 2018 will be made with intent and purpose, with those approaches having to have satisfied what we see as tough internal gatekeepers.
- 5 Hot sectors**

Always a gamble to pick the winners, but don’t write off continued investment in the renewables sector. Likewise keep an eye on financial services, healthcare, agribusiness, and any infrastructure assets that come to market. It would be great to see corporates making strategic step-out acquisitions in order to expand their service offerings, particularly by acquiring technology-based solutions.

2017 Key deals

- **Combination of Tabcorp and Tatts Group** – representing the final step in a process that began in October 2016, Tabcorp Holdings acquired Tatts Group in an A\$11bn merger effected by way of scheme of arrangement implemented in December 2017. The deal is expected to create Australia’s largest domestic gaming and wagering group.
- **CBA life insurance sale** – in what was one of the biggest transactions of the year, CBA finalised an agreement to sell its Australian and New Zealand life insurance businesses to AIA Group Limited, for A\$3.8bn. The sale represented one of the first of a series of similar divestments across the Australian financial services sector, and also incorporated a 20-year distribution agreement with AIA.
- **Bis Industries debt-for-equity restructure** – by way of two parallel creditors’ schemes of arrangement and a subsequent recapitalisation, Bis Industries completed an A\$1.2bn debt-for-equity restructure resulting in senior lenders and certain noteholders assuming ownership of the Bis Group’s operating entities.
- **Origin Energy’s divestment of Lattice Energy** – Origin Energy sold its conventional upstream oil and gas business Lattice Energy by way of an A\$1.6bn asset sale to Beach Energy, following a near 12-month dual-track process exploring the potential divestment by either IPO or trade sale.
- **Westfield** – ending 2017 with a bang, Unibail-Rodamco announced in December that it would acquire Westfield Corporation by way of scheme of arrangement. The A\$32bn mega-deal was the largest Australian M&A deal announced in 2017.

Herbert Smith Freehills and/or Greenwoods & Herbert Smith Freehills acted on each of the transactions described above.

Mainland China

Opportunities, together with uncertainties and risks ahead



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2017 Highlights

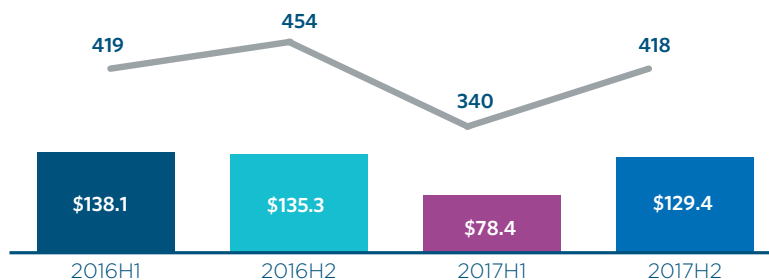
- Both deal value and deal numbers for M&A activity in China declined in 2017.
- While the Chinese Government continued to signal messages to attract inbound capital, the market saw a strengthened regulatory regime and increased compliance enforcement.
- Outbound investment slumped overall in 2017 due to the government's tightened controls on capital outflow.
- 2017 was a year with more investment opportunities in energy, natural resources and infrastructure sectors, as well as more players appearing in the outbound investment market. Despite sanction regime updates, Russia and Iran became popular investment destinations for Chinese investors.

The state of the market

Reported M&A deal value and deal numbers dropped off significantly in the first half of 2017, but climbed back gradually in the second half of 2017, almost reaching the levels of the first half of 2016.

The statistics indicate the renewed confidence in the Chinese market following the release of a series of measures to encourage foreign investment, as well as increased clarity on policy after the 19th National Congress of the Communist Party of China in October 2017.

Total value (US\$bn) and number of announced Chinese public M&A deals



Source: Mergermarket*

Opportunities and challenges co-existed

2017 was a year of mixed messaging on foreign investment by the Chinese Government. On the positive side, new rules were promulgated to transform China's foreign investment regime, which further opened the Chinese market to foreign investors (in sectors such as manufacturing and financial industries), streamlined governmental regulation on foreign investment projects, and improved market entry. On the other hand, considerable challenges persisted. Regulatory regimes and compliance enforcement activities were strengthened, particularly in areas such as data protection, the environment, antitrust and anti-bribery.

Outbound investment slumped

China's outbound investment slumped overall by almost 30% in 2017 largely due to the Chinese Government's tightened control on capital outflow in an effort to stabilize the depreciation of the Renminbi and crackdown on "irrational" and "non-genuine" outbound transactions. The 19th National Congress of the Communist Party of China released mixed signals - China will still be buying, but selectively, carefully and with due attention to long-term goals. The balance being sought appears to be between encouraging outbound investment to support China's Belt and Road Initiative and other macroeconomics policies on the one hand, and restricting "irrational" and "non-genuine" outbound deals on the other.

Energy, natural resources and infrastructure

In the oil and gas sector, there were fewer acquisitions of upstream assets by traditional market players, who instead focussed on disposing of overseas assets. By contrast, more players further downstream and financial investors began to play a role in the upstream oil and gas sectors. Examples include Beijing Gas Group's US\$1.1bn acquisition of minority shares in Rosneft's subsidiary and CEFC's acquisition of a 4% participating interest in an Abu Dhabi onshore concession.

In the power and infrastructure sector, the Belt and Road Initiative is fostering the export of high-end, high-tech, innovative products and industries such as high-speed railway and nuclear power generation technologies. One key trend in transaction structuring in this sector was the increase in traditional EPC contractors taking steps towards equity investments in overseas projects.

Although sanction regime updates continue, Russia is still a popular investment destination for Chinese investors. More Chinese investors are also considering investment opportunities in Iran since the lifting of sanctions in 2015. CNPC's investment in the development of Phase 11 of Iran's South Pars gas field project marks the first step in this trend.



Predictions for 2018

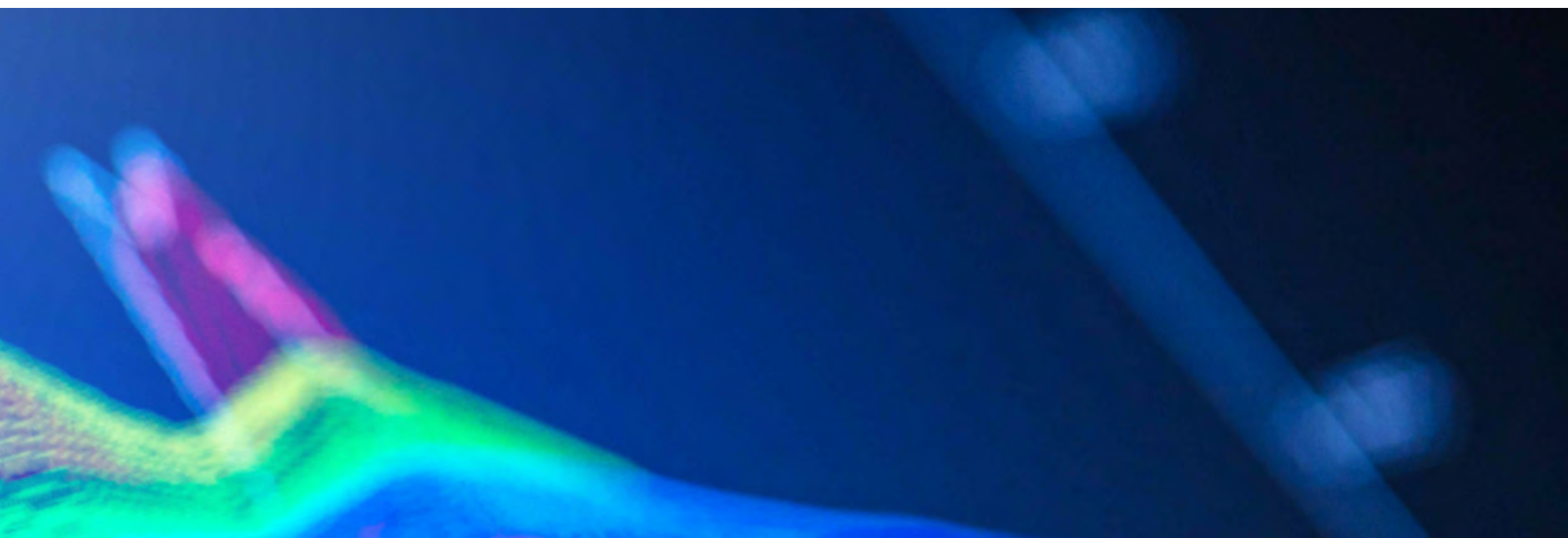
Our key predictions for China M&A in 2018 are as follows:

- | | | |
|----------|--|---|
| 1 | Resilience of inbound investment | With indications of China's economic recovery, the implementation of new policies and the growth trend in the second half of 2017 (particularly November and December), we expect to see continuous resilience in China inbound investment in 2018. There are also new opportunities for foreign investors in newly-opened and less restricted industries. |
| 2 | Compliance to remain a hot topic | We expect to see ongoing compliance initiatives by regulatory authorities. Foreign investors need to address this challenge with careful planning by optimising deal structures and taking into account compliance issues and regulatory hurdles at the earliest possible stage. |
| 3 | Increasing M&A activity | Given the mixed regulatory environment, foreign investors will continue to rationalise their Chinese businesses. More M&A, restructuring and divestiture activities by multinational corporations are expected. |
| 4 | More rationalised outbound investment | With more clarity and certainty in China's regulatory approach to outbound investment, aimed at optimising investment structures and sectors, we expect that there will be a cautious increase in outbound transactions from China in 2018. |
| 5 | A focus on sectors covered by Belt and Road | Given government policy, we anticipate a shift in acquisition targets to businesses in countries covered by Belt and Road, especially in industries such as electricity, construction materials and waste management. Although the LNG market remains quiet, given the mid and long-term needs in the Chinese market, overseas LNG projects may be a new trend for Chinese outbound investment. |

2017 Key deals

- **Beijing Capital Agribusiness Co., Ltd. and CITIC Agri Fund Management Co., Ltd.'s joint acquisition of Cherry Valley Farms** - the pair jointly acquired Cherry Valley Farms, a leading duck breeding company that exports to more than 60 countries and regions. The deal included the patents and breeding technologies of Cherry Valley Farms, key to its market-leading research and development.
- **Beijing Gas Group's investment into Eastern Siberia** - Russian state-owned Rosneft sold a 20% stake in Verkhnechonskneftegaz worth approximately US\$1.1bn to Beijing Gas Group in a milestone deal after the agreements were signed by the Russian Prime Minister and the Chinese Premier.
- **Fujian Septwolves Industrial Co., Ltd. acquires 80% interest in Karl Lagerfeld** - fashion label Fujian Septwolves acquired an 80% stake in Chinese luxury brand Karl Lagerfeld, the terms of the deal also includes an investment into Karl Lagerfeld's retail operations, Lagerfeld (Karl Lagerfeld Holdings Limited).
- **Silk Road Fund's investment in Sibur** - the acquisition of a 10% stake in Russia's largest petrochemicals Group Sibur represented a significant investment for the US\$40bn Fund and was one of China's largest investments in Russia for the year.

Herbert Smith Freehills acted on each of the transactions described above.



Industry Focus: Mining

M&A activity intensifies





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2017 Highlights

- 2017 saw continued price growth in bulk commodities, leading to greater confidence in the market.
- While total deal numbers were similar to 2016, more participants in the mining sector were observed actively looking for opportunities to invest at all levels, from exploration projects and undeveloped tenements to established operations.
- Announced divestment activity by some major miners continued, concentrated in thermal and metallurgical coal, leading to a number of much higher value transactions than in the previous two years.

The state of the market

Confidence in the mining sector continued to improve in 2017. Synchronised global growth has seen an increase in demand for most major commodities. Strong bulk commodity prices from the second half of 2016 continued to rebound through 2017 (and have continued into early 2018). There has been a sustained market preference for high quality resources, making Australian reserves particularly attractive.

In 2017, we have seen the supply side of the industry respond.

A number of mines previously on care and maintenance have been re-opened, with further announced re-openings for 2018, particularly in coal and base metals.

After a number of years of limited activity, development and expansion projects have re-surfaced. A number of major projects were approved in 2017 and a further number are expected to reach their final investment decision in 2018. Many commentators are tipping prices, particularly gold, lithium and base metals, to peak in 2018. While prices may moderate, they are expected to remain at profitable levels sufficient to support ongoing exploration and development activity.

Against this backdrop, while the number of M&A deals completed in 2017 remained steady when compared to 2016, there was a larger number of high value transactions, including strategic purchases by large mining houses consolidating their market position. Sales of exploration projects and small sized operating assets in gold and base metals also continued, with a high proportion of completed deals falling in this category. Private equity has continued to remain interested in the mining sector.

Predictions for 2018

Our key predictions for M&A in the mining industry in 2018 are as follows:

- 1 Strong focus on exploration**

We expect an increased focus in the mining industry on growth through exploration, select brownfield development and re-opening of mothballed operations. In 2018, there will also be a larger pipeline of M&A activity as, in different forms, parties attempt to participate in higher commodity prices.
- 2 Commodities to watch**

Bulk commodity prices in 2018 are expected to remain well above the low levels seen between 2014 and 2015. We expect to see continued M&A activity in both thermal and metallurgical coal over the next 12 months, including completion of the divestments by a major mining house. In addition, there is likely to be an increased focus on gold, copper, lithium and base metals assets.
- 3 More deals to close**

Growing confidence in the sector is likely to be a catalyst for more signed and completed transactions.
- 4 Vertical activity likely to increase**

There has been limited vertical activity in the sector in recent years. We predict that this may change in 2018 as manufacturers look to secure supply chains for raw materials in hot areas, such as inputs for batteries in the automotive sector.

2017 Key deals

- **Yancoal acquires Rio's Coal and Allied** – Yancoal acquired Rio Tinto's New South Wales coal assets (including a stake in the Port Waratah coal terminal at Newcastle) for US\$2.7bn.
- **Wesfarmers sells Curragh to Coronado** – Coronado, part of US-based Energy and Minerals Group, will acquire the Queensland metallurgical and thermal coal mine for A\$700m, together with an ongoing royalty deal if metallurgical coal prices remain above US\$145 per tonne.
- **Hanking Australia sells Southern Cross to Shandong Tianye Group** – Hanking Australia sold its Southern Cross gold operation in Western Australian to Shandong Tianye Group for A\$330m.
- **Yancoal acquires a 28.898% interest in the Warkworth Joint Venture from Mitsubishi** – Yancoal increased its ownership stake in the Warkworth open cut coal mine in the New South Wales Hunter Valley to 84.5% for a price of US\$230m.
- **Amman Mineral Nusa Tenggara PT acquired a 44.27% stake in Macmahon Holdings Limited** – AMNT, owner of the Batu Hijau copper-gold mine in Indonesia, acquired the interest in the Australian based civil and mining services contractor for US\$145m.
- **SQM acquires a 50% interest in the Mt Holland Lithium Project** – the deal creates a 50-50 joint venture with Kidman Resources for the development of the Mt Holland Lithium Project in Western Australia for a total investment of US\$110m.

Herbert Smith Freehills acted for, or is acting for, Yancoal, Wesfarmers, AMNT and SQM in relation to the deals above.

Hong Kong SAR

A strong year for M&A



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2017 Highlights

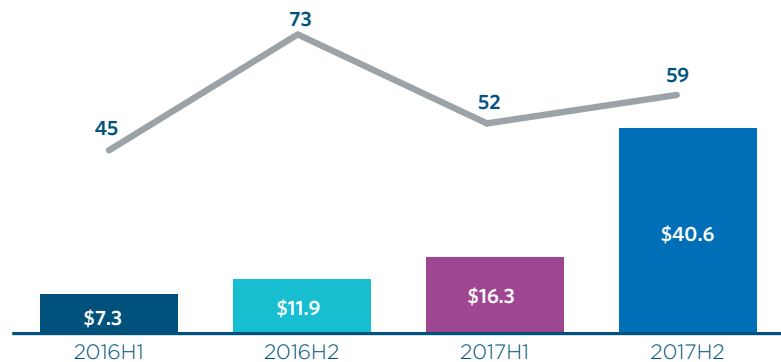
- Hong Kong's record breaking stock market performance bolstered M&A activity in 2017.
- The 19th National Congress of the Communist Party of China and other regulatory pronouncements in Mainland China signalled greater clarity on government policy for China-driven M&A.
- There have been coordinated efforts across financial services regulators to foster fintech development generating market activity.

The state of the market

The value of reported M&A activity in the Hong Kong SAR increased significantly throughout 2017 with a marked jump in the second half of the year driven by a number of high value transactions.

Whilst deal numbers in the first half of 2017 were lower compared to the previous six months, deal flow was generally strong and increased in the second half of 2017.

Total value (US\$bn) and number of announced Hong Kong public M&A deals



Source: Mergermarket*

Solid M&A activity amid record breaking year for Hong Kong stock market

2017 saw the market capitalisation of the Hong Kong stock market reach record levels. The strong market performance created high valuations providing attractive exit opportunities for shareholders.

China's policies shaped to drive M&A

China's tightened controls on capital outflows and a government crackdown on "irrational" and "non-genuine" transactions saw a slump in outbound investment from China in 2017, impacting Mainland investment into the Hong Kong SAR. However, the 19th National Congress of the Communist Party of China in October 2017 and subsequent regulatory promulgations by China have clarified its policies on outbound and foreign investment and its commitment to the Belt and Road Initiative. China has committed to easing market access and protecting the legitimate rights and interests of foreign investors. For outbound investment, new measures to streamline the approval and filing procedures were introduced in December 2017. These developments should facilitate transactions and increase deal flow, including those targeting Hong Kong, in 2018.

Regulatory engagement with fintech developments spurs M&A activity

Hong Kong's government and regulators have been coordinating their efforts to support fintech development and position the SAR as a leading fintech hub. Efforts to clarify the regulatory landscape for fintech in Hong Kong pave the way for investment in this sector. In 2017 we saw Yunfeng Financial Group Limited, a financial services group with a fintech focus, and other co-investors acquire MassMutual Asia Limited. In another example, First Origin International Limited, which focuses on financial and technology sectors, acquired Hong Kong Life Insurance Limited.

2017 Key deals

- **Orient Overseas (International) Limited** – a pre-conditional voluntary cash offer by State-owned COSCO Shipping Holdings Co., Ltd and others for the container transport and logistics company, Orient Overseas (International) Limited for US\$6.3bn.
- **Hutchinson Global Communications Investment Holding Limited** – I Squared Capital Advisers acquired Hutchinson Global Communications Investment Holding Limited, which operates one of Hong Kong's fixed-line telecommunications networks, from Hutchison Telecommunications Hong Kong Holdings Limited for approximately US\$1.9bn. The deal won Best Hong Kong Deal at the 2017 FinanceAsia Achievement Awards.
- **Massmutual Asia Limited** – Yungfeng Financial Group Limited and other co-investors agreed to acquire Hong Kong insurer MassMutual Asia Limited for US\$1.7bn in cash and shares.

Herbert Smith Freehills acted for I Squared Capital in the Hutchinson deal and for Ant Financial Group Limited as a co-investor in the Massmutual deal.

Predictions for 2018

Our key predictions for M&A in Hong Kong in 2018 are as follows:

- 1 China outbound M&A to regain momentum following a period of uncertainty**

As highlighted above, we anticipate that China's recent policy clarification on outbound investment and increased regulatory certainty will result in outbound M&A picking up. Hong Kong will continue to be an investment platform for overseas expansion but we also anticipate interest in Hong Kong-based businesses from Mainland acquirers.
- 2 Increased participation by Hong Kong companies in Belt and Road initiatives**

With China's renewed commitment to the Belt and Road Initiative, we expect Hong Kong companies to seek opportunities to invest. Both the Hong Kong Government and the Trade Development Council are taking steps to facilitate Hong Kong companies' participation in the Belt and Road Initiative which we anticipate will lead to increased transactions over the coming year.
- 3 Transactions driven by the convergence of technology and traditional businesses**

With constantly emerging new technologies, we foresee a growth in transactions bringing together traditional businesses and new technologies. In particular, the regulatory support in Hong Kong for fintech development will likely lead to increased M&A targeting fintech start-ups.
- 4 Risk sharing through consortium structures**

We have recently seen an increasing number of acquisitions made through consortia, involving both private equity and strategic investors, with a view to sharing risk and creating value synergies. We expect this approach to continue in 2018.
- 5 Sectors of interest**

We saw keen interest in the consumer sector in 2017 and predict this to continue in 2018. We also expect significant interest in the healthcare, education, technology and energy sectors.

India

Another resilient year



2017 Highlights

- After a record breaking 2016, M&A activity remained resilient in 2017 with the second highest annual total of M&A deals by value since 2001 (again crossing the US\$50bn benchmark).
- India continued to be a bright spot for foreign investors and has maintained its top rank as the world's premier greenfield FDI investment destination ahead of China and the United States.
- The Modi government's structural changes to the legal and regulatory landscape in the last three years have started showing results – India jumped a record 30 places in the World Bank's Doing Business rankings in 2017.



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The state of the market

The market remained resilient in 2017, despite teething issues resulting from the implementation of key economic reforms (such as GST and demonetisation) which led to temporary slowing of growth. There were a total of 379 deals worth US\$54.7bn, which is a decrease from a very strong 2016 (421 deals worth US\$59.7bn).

Domestic M&A continued to dominate the Indian M&A market, with inbound activity experiencing a slight decline in 2017 (187 deals worth US\$23.5bn) when compared with 2016 (195 deals worth US\$30.3bn). Technology, however, remained an attractive sector to foreign investors, contributing a significant US\$9.1bn with 46 deals to the overall M&A figures.

Private equity activity continued to be steady with buyout deal values (US\$9.6bn) recording the second highest annual total in the last five years (although exit deal values (US\$5.1bn) fell from the previous highs of 2016 (US\$6.3bn) and 2015 (US\$8.1bn, a record year)). We expect private equity activity to pick up in the first few months of this year, signalling a promising start to 2018 for sponsors.

Key legal and regulatory developments included:

- **FDI laws:** India undertook a significant relaxation of its FDI laws in 2017 (and with a follow up in January 2018), which included abolition of the main regulatory body dealing with foreign investments (FIPB), introduction of a standard operating procedure for clarity in procedure and timing, and modifying approval thresholds for various categories such as manufacturing, civil aviation and single brand retailing. Under the new regime, FDI approval applications are being processed at a much faster pace and the list of sectors and activities which require prior government approval continues to reduce as the government sustains its de-regulation efforts in order to promote

and accelerate further international investment into India.

- **Insolvency laws:** The new Insolvency and Bankruptcy Code, which aims to make insolvency and bankruptcy procedures more streamlined and efficient, was notified in December 2016 and thus marked 2017 as a particularly important year in this area. Whilst the new insolvency laws have generated considerable interest amongst domestic buyers looking to pick up distressed assets at favourable valuations, foreign investors have been cautious (although this is likely to change, by way of example in December 2017 KKR became the first foreign investor to set up a 100% foreign owned asset reconstruction company (ARC) to invest in distressed assets).
- **GST:** India has replaced its numerous federal and state tax laws with the much awaited single harmonised Goods and Services Tax (GST). Aimed at reducing administrative burdens and increasing tax revenues, the implementation of GST was not as smooth as expected, resulting in a temporary slowing of the economy. However, a responsive Modi government has taken corrective measures to ensure its effective implementation.

Predictions for 2018

Our key predictions for M&A in India in 2018 are as follows:

- 1 M&A activity will stay buoyant**

We expect the Indian M&A story to continue to be strong so long as India's economic fundamentals remain positive. The 2018-19 budget, where the government has proposed populist measures favouring the middle-class and farmers (it is the last budget before the general elections in 2019), should not adversely impact M&A activity in 2018 given investors' expectations of continuing political stability through the next election and until 2024.
- 2 Sectors to watch**

The technology, telecommunications and financial services sectors were particularly active sectors in 2017 and we believe that these will continue to dominate M&A activity.

Infrastructure (including real estate) and industry and manufacturing are also likely to be active sectors as well.

Whilst the energy, mining and utilities sector will continue to show subdued overall activity, renewables will keep this sector busy.
- 3 Corporate governance and shareholder activism**

India's corporate governance framework has undergone a number of changes in the last few years with the aim of improving foreign investor confidence, and we expect to see further changes in 2018. As India works towards improving its corporate governance framework and generating more private equity interest, shareholder activism is likely to pick up steam.
- 4 Continued interest in distressed assets**

As the implementation of the new insolvency laws progresses and the efficiency of the new insolvency and bankruptcy procedures is demonstrated, we expect that distressed assets will become more attractive to foreign investors. We therefore think that it is likely that there will be increased interest in distressed assets in India amongst foreign investors in 2018.

2017 Key deals

- **Vodafone-Idea Cellular** – Vodafone's US\$12.7bn merger of its India business with Idea Cellular to become the leading communications provider in India with almost 400 million customers.
- **SoftBank-Flipkart** – SoftBank's acquisition of a 20% stake in Flipkart (one of India's biggest online retailers) for US\$2.6bn. The investment formed part of a financing round where Flipkart also raised capital from premier technology companies Tencent, eBay and Microsoft.
- **Claris Injectables** - Baxter International acquired Claris Injectables Limited, a global generic injectables pharmaceutical company, for US\$625m.
- **GIC-DLF** – GIC's acquisition of a 33.33% stake in DLF's rental business, DLF Cyber City Developers for US\$1.4bn.
- **Bharti Airtel-Millicom** - Indian telecommunications company Bharti Airtel entered into a joint venture with Swedish telecommunications and media company Millicom. Both parties agreed to contribute certain existing offshore telecommunications businesses to create a combined entity which is expected to have revenue close to US\$300m.
- **Reliance Communications** - Brookfield Infrastructure acquired Reliance Communications' telecommunications towers business for US\$1.6bn (the largest investment by an international financial investor in the infrastructure sector in India).
- **Bain Capital-Axis Bank Ltd** – Bain Capital's acquisition of a 5.55% stake in Axis Bank for US\$1.8bn, one of the largest private equity investments in the Indian banking sector.

Herbert Smith Freehills acted for Reliance Communications, Bharti Airtel and Claris Lifesciences Limited on the deals listed above.

Industry Focus: Private Equity

Activity across the spectrum



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2017 Highlights

- The market saw significant buy-side PE activity across the Asia Pacific region, with a number of landmark transactions, including the takeover of Global Logistic Properties, sale of Alinta Energy and US\$2bn fundraising for ride-sharing firm Grab.
- Venture Capital had a break out year, with a significant uptick in transaction volumes with a significant number of fund raisings. Key sectors included fintech, medical technology/devices, human resources and property tech.
- On the debt front, 2017 saw a number of ground-breaking deals, including Archer's recapitalisation of Craveable Brands via an innovative first and second-lien term loan B financing, the first completed under Australian law.
- Looking forward to 2018, key trends anticipated include the continued increase in PE buy-side activity across the Asia Pacific region, with areas of interest to include TMT and infrastructure, continued growth in funding available for VC transactions and the potential emergence of more flexible lending terms in the debt market.

The state of the market

Private Equity – Asia

- **Fundraising** - Asia-focused funds were among the largest raised globally in recent times. RRJ Capital, Baring Private Equity and PAG Asia Capital all raised funds of US\$3bn or more in 2015-16. As expected, Asia PE fundraising activity in 2017 was affected by such existing 'dry powder' (US\$144bn in 2016). That being said, fund managers still saw opportunity for investment in the region, as KKR and Sfund each closed Asia funds in excess of US\$7bn in 2017. In addition to fund raising, we have seen alternative methods of accessing the asset class, such as co-investments, club and consortium structures, all of which were prominent in 2017.
- **M&A** - Downstream Asia PE registered a healthy increase in overall deal value in 2017. This increase was headlined by two marquee deals - Global Logistic Properties' (GLP) US\$15.9bn takeover and Grab's US\$2bn fundraising (both headquartered in Singapore). Herbert Smith Freehills acted for investors on both these deals. China (US\$38.6bn), the Philippines (US\$6.6bn) and India (US\$5.9bn) also posted value increases. The volume of smaller deals was slightly down on previous years, as compared to the record highs seen in 2015 and 2016. We expect the trend of bigger consortium deals to continue. We also expect to see an increase in smaller private credit deals. There is growing comfort and appetite for structured debt for Asia assets.
- **Exits** - Trade sales retained their position as PE's preferred exit strategy in Asia. With sustained volatility and tighter regulations in public markets reducing attractiveness for IPOs, secondary buyouts also remained prominent. However, India was the exception, with a surge in IPO activity. Various PE players have executed high value exits to capitalise on the local demand for equities in the Indian market.

Private Equity – Australia

Overall, 2017 was another strong year for PE in Australia. Broadly, the market followed the trends established in 2016 of strong buy-side activity, moderate levels of exits and continued investor participation in PE fundraising activities.

The aggregate value of buy-side investment in the PE sector was ahead of 2016 off a smaller number of deals, reflecting a tendency for larger deals in the market. Sponsor activity was spread across a diverse range of sectors, including consumer products and services (with highlights including the acquisition by PEP of Allied Mills and the sale of Brownes Dairy to Chinese company Shanghai Ground Food Tech), industrial services (including the A\$1.2bn restructure and recapitalisation of BIS Industries involving The Carlyle Group and affiliates of Varde Partners), Healthcare (including the sale processes for Novotech and I-MED) and infrastructure (with the A\$4bn sale of Alinta Energy by a group of hedge funds and private equity, including TPG, a standout).

Similar to 2016, public to private transactions were relatively scarce, although more activity was evident in late 2017 with the acquisition of Pepper Group by KKR and the bid for Billabong by Oaktree Capital. Given the competition for quality assets in the private mid-market space, we anticipate that the larger domestic and global financial sponsors will be more willing to consider listed acquisitions.

While generally the pace of divestments slowed, there were a number of high profile sale processes in the healthcare sector, with the Novotech and I-MED processes resulting in secondary sales. The lower level of divestment activity is consistent with the US and European trend of longer ownership periods. A number of funds are using long-term strategies to drive shareholder value and fund returns.

PE fundraising was again strong in 2017, with commitments in both 2016 and 2017 exceeding A\$2bn. Domestic superfunds, fund of funds, sovereign wealth funds, corporates and high net worth individuals were drivers of fundraising activity. The year was also marked by the emergence of a number of new funds undertaking fundraising activities including BGH Capital, Adamantem Capital and Odyssey Private Equity. The AVCAL yearbook estimated dry powder at the 2017 mid-year mark stood at around A\$8bn, painting a very positive deal flow outlook for 2018 and beyond.



Venture Capital

2017 saw a significant increase in the number of venture capital transactions in the Australian region. This growth was primarily driven by continued strong interest in emerging technology companies. According to the Australian Venture Capital Association, 79 new high tech companies received funding in the 12 month period to 30 June 2017. While there was strong interest in the Fintech market segment, companies operating in the medical technology/devices sector, human resources sector and property tech market attracted significant interest.

Large domestic Australian venture capital funds such as AirTree Ventures and Blackbird remained strong players in the market, and either closed or announced significant fund raisings, and there was continued strong interest from offshore venture capital funds particularly out of the US.

Headline capital raisings included Canva's A\$50m raise, valuing the company at US\$1bn, Buckitdreams US\$5m convertible note capital raise, Expert 360's A\$13m capital raise which attracted both domestic and international investors, Deputy Group's A\$25m raise from Openview, and UrbanSurf's A\$30m capital raise from a range of institutional and venture capital investors.

Predictions for 2018

Our key predictions for PE in 2018 are as follows:

- 1 Strong buy-side activity**

We anticipate a continuation of strong buy-side activity, with an expected focus by financial sponsors on consumer products and services, business services and healthcare and an uptick in activity in the TMT and infrastructure sectors.
- 2 Increased funding to VC funds and emerging companies**

The size and market clout of domestic venture capital funds will continue to increase, and there will be increasing interest from superannuation and pension funds in this market segment, and emerging tech companies which can show a clearly defined global expansion strategy.
- 3 Flexible lending terms**

We anticipate that terms of finance products will converge further as sponsors continue to leverage their strong position to push lenders for more flexible terms.

Debt

2017 has been very much a borrower's market. Strong levels of lender liquidity have seen PE borrowers continue to push the envelope on leverage and terms. Notwithstanding this, debt pricing has remained generally favourable and spreads between alternative debt products and traditional bank debt have been moderate. The size of the equity cheque has remained sensible.

Sponsors have shown increasing interest in accessing the non-bank lender market and alternative debt products, including unitranche and Australian-law term loan B financings. 2017 saw a number of ground-breaking deals, including Archer's recapitalisation of Craveable Brands via an innovative first- and second-lien term loan B financing, the first completed under Australian law. That transaction was supported by key institutional investors, including a number of superannuation funds, and may mark a turning point in Australian debt markets, further supporting robust deal flow.

Banks have shown tentative signs of interest being involved in the unitranche and term loan B markets, generally seeking a super senior position in the structure. In addition, there are signs that alternative debt products are exerting pressure on the traditional debt market, with sponsors continuing to push for more flexibility in the terms of their financing structures.



Indonesia

M&A opportunities



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Our Jakarta office

In Jakarta, Herbert Smith Freehills' international counsel practise alongside our affiliate firm, Hiswara Bunjamin & Tandjung, one of Indonesia's leading commercial and corporate law firms.

2017 Highlights

- Reported M&A deal activity by total transaction value decreased slightly compared to 2016.
- Despite decreased activity, a number of strategic investments were made, with a focus on natural resources, financial services, fintech and consumer goods sectors.
- The energy and resources sector continues to be hampered by regulatory uncertainty. However, there were still several high-profile transactions due to relatively stable commodity prices and continued confidence in the growth of the Indonesian power sector.
- Overall, Indonesia continues to demonstrate its long-term resilience in terms of M&A activity.



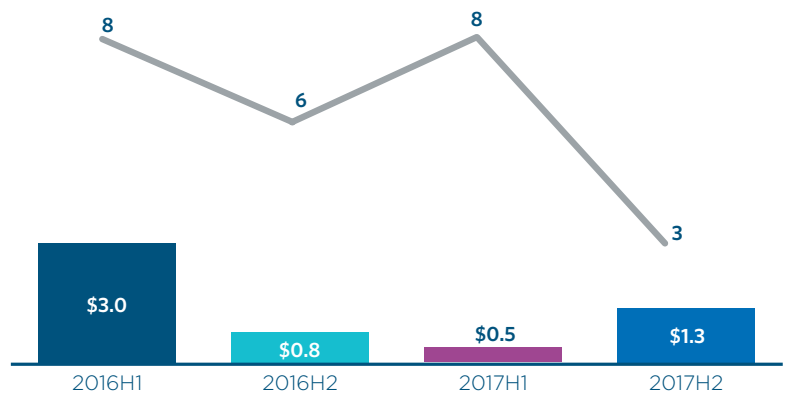
The state of the market

Activity in the Indonesian M&A market in 2017, based on reported transaction value, decreased slightly compared to 2016, reflecting the uneven nature of growth prospects in various sectors in Indonesia, where regulatory complexity remains. The continuing gap between Indonesian sellers' (mainly comprised of family conglomerates) and foreign buyers' valuation expectations also led to numerous M&A deals being abandoned or 'put on hold'. The energy and resources sector also continues to be hampered by regulatory uncertainty, including the untested processes for complying with local divestment obligations, inconsistent policies regarding abandonment and site-restoration liabilities and the inherent political risks of expiring concessions.

Mining, financial services, fintech and consumer goods were among the top sectors for announced and completed M&A activity. For example, we advised on the largest M&A transaction in 2017, representing Singapore sovereign wealth fund Temasek on the first step of the sale of its 73.8% stake in IDX listed Bank Danamon to Japan's MUFJ.

Indonesia remains an attractive market and, despite the slowdown, as the largest economy in ASEAN, it is underpinned by strong economic fundamentals, backed by a large population of 261 million and a growing middle class with increasing disposable income which is expected to contribute to M&A activity.

Total value (US\$bn) and number of announced Indonesian public M&A deals



Source: Mergermarket*

Predictions for 2018

Our key predictions for M&A in Indonesia in 2018 are as follows:

- 1 Pre-election activity** Indonesia's next national elections take place in 2019. We anticipate that there will be increased deal activity during 2018 as parties seek to get things done in advance of a period of possible uncertainty.
- 2 Private equity activity** A number of sales processes involving private equity funds are already underway and should close in 2018. We also expect to witness PE funds preparing to deploy funds in Indonesia throughout 2018, particularly in consumer-related sectors.
- 3 Financial services and fintech sectors** 2017 has seen significant development in the fintech sector, particularly with the entry of major Chinese companies and the development of the Indonesian fintech ecosystem involving local tech companies, banks and telcos. We expect a high level of M&A activity in the payments sector in particular.

The traditional financial services sector is also likely to see substantial levels of M&A activity, in particular transactions involving banks, insurance, multi-finance and securities companies. The likely buyers in this sector are North Asian strategic buyers and global private equity funds.
- 4 Continued flow of investments from China and its increasing role in the Indonesian economy** Despite tightened control on capital outflow since late 2016 and a significant slow-down in 2017, outbound M&A deals from China into Indonesia are widely expected to pick up in 2018. The growing role of Chinese companies in Indonesia's economy may draw a regulatory response in certain sectors.
- 5 Negative list** Further FDI restrictions may be included in the upcoming Indonesian Negative List (expected to be issued in March 2018), which sets out the business sectors that are completely closed to, or are only partially open to, foreign investment.

2017 Key deals

- **Temasek** – Singapore's wealth fund, Temasek, undertook a US\$1.1bn divestment of its 19.9% stake in an Indonesian listed bank, Bank Danamon, to The Bank of Tokyo-Mitsubishi UFJ, Ltd, as part of a series of transactions to sell its entire 73.8% stake in Bank Danamon.
- **JD.com** – JD.com, the Chinese e-commerce company, participated in an US\$800m equity funding round of GO-JEK, a leading Indonesian transport, logistics and payment platform.
- **Arla Foods** – Arla Foods, the global dairy company, established a new joint venture with Indonesian listed market-leading producer of packaged food products, Indofood CBP, for the sale, distribution and production of dairy products in Southeast Asia.
- **Asahi** – Asahi undertook a divestment of its dairy products interest in a manufacturing joint venture with the Indofood Group.
- **Air Asia Berhad** – Air Asia Berhad launched a reverse take-over of Indonesian Air Asia through a rights issue of Indonesian publicly-listed company PT Rimau Multi Putra Pratama Tbk.
- **Chevron** – Chevron undertook a disposal of its significant operating Darajat and Salak geothermal fields in West Java.
- **PT Amman Mineral Nusa Tenggara** – PT Amman Mineral Nusa Tenggara (the owner a major copper and gold project at the Batu Hijau) in relation to its successful change of control transaction of Macmahon Holdings Limited (an Australian publicly listed mining services company), including in relation to a US\$2.6bn life-of-mine mining services contract.

Herbert Smith Freehills acted or is acting on each of the transactions described above.

Japan

Increase in activity on the horizon



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2017 Highlights

- The overall number of M&A deals in 2017 was broadly consistent with 2016 levels, however there was a considerable 36.4% drop in deal value in 2017.
- 2017 saw an absence of mega M&A deals in Japan.
- Strong levels of private equity activity continued, with total buyouts in 2017 reaching a high deal value of US\$16.1bn.
- Technology deals were a significant driver of M&A activity, accounting for US\$13.3bn of deals.

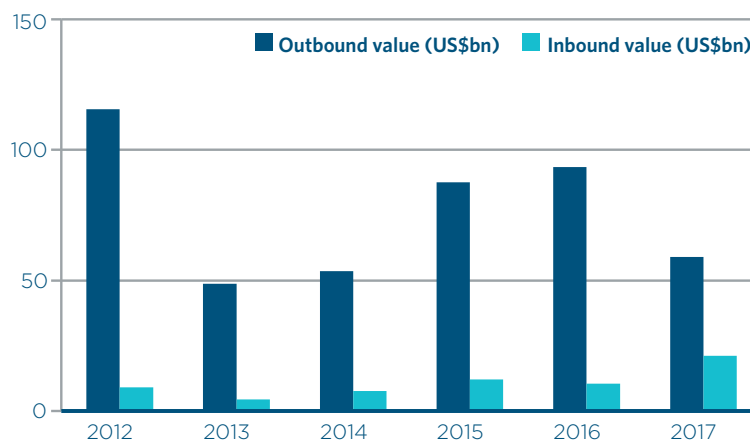
The state of the market

2017 was a stable year for the Japanese M&A market in terms of volume (only three fewer deals than 2016, 458 in comparison to 461), but there was a sharp decrease in deal value to US\$40.1bn from US\$63bn in 2016 (36.4% decrease), partly due to the absence of mega deals. Despite this overall decrease in value, Japanese inbound activity has seen its best year since before the financial crisis, accounting for 51.3% of deal activity with a value of US\$21.3bn. In contrast, domestic M&A totalled only US\$18.8bn, a 64.2% decline. In parallel, Japanese outbound M&A activity increased, with a total of 336 transactions, but again deal value dropped 36.7% to US\$59.1bn.

Strong levels of private equity activity continued in 2017 with several buyouts and exits, most notably the acquisition of Toshiba Memory by a Bain Capital-led consortium. The United States continues to be a key target for a large proportion of outbound M&A (approximately one third by deal volume (107 deals) and almost half by deal value (US\$29.2bn)). Investment into developing Asian markets such as China, India and Indonesia continued to grow and accounted for a similar number of deals (113) but with deal value totalling US\$19.1bn, which was a 270% increase on 2016.

Technology deals accounted for US\$13.3bn of deals (over a third), while traditional sectors such as industrial and chemicals and consumer saw a sharp decline in activity (over 50%).

Total value (US\$bn) of cross-border Japanese M&A activity



Source: Mergermarket

Technology continues to be a driving force

2017 has seen technology M&A become an important driver for deals in Japan. We expect this trend to continue in 2018 and subsequent years, with companies investing in innovative technology-related sectors that are complementary to their core business to maintain their competitive advantage. These could potentially account for a high volume of low value transactions. Investors' interest in the new wave of technology sectors such as artificial intelligence and autonomous vehicles will also continue to rise as Japanese investors continue to seek opportunities in technology-related sectors.

Predictions for 2018

Our key predictions for M&A in Japan in 2018 are as follows:

- 1 Business sentiment**

With the upcoming 2019 Rugby World Cup, 2020 Olympics and a generally more positive outlook, business confidence is expected to increase and pave the way for more inbound and outbound investment opportunities. Various sectors are likely to benefit from the effects of increased government and private spending over the next several years.
- 2 Expected growth in deal activity**

Driven by the continued growth of the economy globally, we expect both the value and volume of M&A activity to increase in 2018 as Japanese companies look internationally for growth opportunities. We expect the traditional sectors of industrials, chemicals and pharmaceuticals to remain stable with continuing growth in technology investments.
- 3 Political factors will continue to influence investments**

Prime Minister Shinzo Abe successfully maintained his super-majority in a snap election last year which allows him to continue to implement his Abenomics policy as leader for the foreseeable future. Despite internal stability, tensions in the region with North Korea and China will continue to influence both investment decisions into Japan and outbound investments into Asia.
- 4 Domestic stagnation likely to promote outbound investment**

Birth rates and productivity remain stubbornly low in Japan and it is expected that further reforms will be introduced to try and stimulate the domestic economy, with the Bank of Japan expected to keep interest rates low while internationally rates are expected to rise during 2018. As a result of these domestic pressures, we expect Japanese companies to continue to look internationally for growth opportunities. Although Europe looks more appealing than in recent years, we expect Japanese companies to continue to focus on the United States and Asia.
- 5 Trends of corporate governance**

With the drive for adoption of better corporate governance policies and a push for better female representation in organisations, shareholders are expected to continue to influence company decision-making through board representation and M&A for quicker returns on investments. With shareholder activism on the rise in Europe and the United States, Japanese companies are also increasingly becoming aware of the risks presented by, and defences in response to, shareholder activism.

2017 Key deals

- **Ariad Pharmaceuticals** - Takeda Pharmaceutical Company Limited's US\$5.2bn acquisition of the US-based biotechnology company, thereby acquiring two innovative targeted therapies to expand and enhance Takeda's existing oncology portfolio.
- **Toshiba Memory** - the acquisition of a 49.9% stake in Toshiba's memory chip subsidiary, Toshiba Memory, for US\$17.7bn by a consortium led by Bain Capital LLC. Apple Inc. provided funding for the deal through the acquisition of preferred shares and loans, but does not hold voting shares.
- **Grab** - SoftBank Group Corp.'s US\$2bn investment in Southeast Asia's ride-hailing company, Grab. Softbank led the investment in the funding round alongside China's Didi Chuxing, the world's leading one-stop mobile transportation platform. With an additional US\$500m of funding anticipated before close, the deal represents the largest single tech financing in Southeast Asia to date.
- **R-Pharm** - Mitsui's strategic acquisition of a 10% interest in R-Pharm JSC, one of the largest pharmaceutical companies in Russia, for an undisclosed amount.

Herbert Smith Freehills acted on each of the Grab and R-Pharm transactions described above.



Industry Focus: Energy

Energy transition in Asia

2017 Highlights

- M&A deal value and volume in the Asia Pacific energy sector remained broadly consistent with 2016 levels, with an uptick in deal volume observed in the second half of 2017.
- There was a significant amount of interest in the renewables sector including across ASEAN, notwithstanding continued structural and regulatory aspects limiting commercialisation.
- For oil and gas companies, pressure on portfolio disposals is reducing as price stability and cost cutting take effect, but a continued move to national and regional players is notable.

The state of the market

Oil and gas

2017 saw robust activity and interest for Australian based companies and portfolios. Origin Energy's sale of Lattice Energy to Beach Energy was notable, as were takeover bids for Santos and AWE, and the potential sale of Quadrant Energy.

Across Asia, the most notable M&A transactions involved mature assets, such as the Natuna Sea disposal of interests in Block B Indonesia by both Chevron and ConocoPhillips, albeit these transactions were long trailed. Both assets went to local players, with Medco taking over operatorship. The putative sale of BG/Shell's interests in Bongkot to KUFPEC may have been another example of differing values placed on mature assets, but the transaction was cancelled between signing and completion due to (as announced by Shell) 'different interpretations [from Shell and the Thai Government] of the treatment of share sale transactions'.

In terms of transaction structures and key issues, the approach to decommissioning liability in mature assets and variables around concession renewal, particularly against uncertain regulatory backdrops for both issues, has been an important aspect in a number of deals. In Australia, dual track exit processes, with IPOs and trade sales being considered in parallel, were a notable feature and helped create competitive tension.

Looking at the universe of transacting parties, there was a partial return of activity from Chinese SOEs, at least domestically, and indications of Japanese investors potentially returning to the market. For Asia's developing markets, there was not the increase in private equity investment that some foresaw, this money seeming to continue to prefer homes in developed markets (including Australia) and Africa.



In the midstream and downstream, many transactions and projects centred on demand and buyers for hydrocarbons. Gas/LNG importation is increasing the universe of gas buyers across Asia. Continued interest around storage, trading and retail assets (such as the Philippines' Seaoil partnering with Caltex Australia) is finding other outlets for products and investments in refinery and petrochemicals capacity. This has supported oil's increasing role as a source of materials as opposed to energy in developing economies (one such example is Rosneft and partners' purchase of Essar Oil and ExxonMobil's purchase of Jurong Aromatics).

Power and renewables

The focus on renewables continued. For Australia, the market has achieved critical mass and volume with a steady stream of renewables M&A. Developers are now racing to obtain bankable PPAs in a competitive market and before the Renewable Energy Target window closes. In Asia, with a number of governments now firmly behind clean energy policy, China is the key area of activity and investment with its installation rates and costs for new capacity putting it at the head of the international market. Elsewhere in Asia, the most notable deal was the Equis sale to a US fund-led buyer. The execution of a single transaction covering assets across a number of jurisdictions and projects at varying stages of development appeared to evidence the market's faith in the long term role of renewables, notwithstanding the patchwork of ASEAN regimes.

In Australia, the 2016 focus on transmission and distribution shifted in 2017 to more generation and energy technology M&A, such as the purchase by Hong Kong's CTFE of Alinta (another dual track process) and its subsequent purchase of Loy Yang B from Engie. A number of other generation assets sales processes are likely to follow as market participants respond to changes in the local market (for example, a shortage of gas) and across the globe (for example, decisions driven by different positions on climate change). The Loy Yang B sale process echoed similar transactions involving the disposal of coal fired generating assets in Indonesia and India (Paiton and Meenakshi). Following the New South Wales Power of Choice reforms, AGL sold its smart-metering business and Origin has put its smart-metering business up for sale.



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Predictions for 2018

Our key predictions for energy M&A in 2018 are as follows:

- 1 Technology, renewables and electrification**

The ongoing political and economic momentum in favour of renewables will support continued investment. ASEAN will see an increased level of interest in renewables projects with a number of countries hosting good potential sources and delivery of electricity by solutions off the main grid. The political will from the recent affirmation by ASEAN for the promotion of renewable energy and energy efficiency needs to be balanced against coal as a continued source of low-cost power (though talk of a cost for carbon may emerge). We expect further technological developments across the entire Asia Pacific region driving energy efficiency and reductions in use to draw investor interest.
- 2 Financial buyers in generation**

A lack of brownfield infrastructure assets has seen financial investors driving M&A in power generation and this trend may continue throughout 2018. This looks likely to contrast with oil and gas upstream, though midstream and downstream areas continue to develop in the region and could present opportunities for financial buyers.
- 3 Investment in new demand side**

There are a number of areas where we expect 2018 to see continued investments and transactions in assets and projects linked to new demand for hydrocarbons. These include integrated gas and power developments and new LNG import facilities and associated gas-to-power projects, with gas continuing to increase in the energy mix, but also refining, petrochemicals and materials production for oil as a raw material for increased consumption by urban populations in Asia. From a consumer facing perspective, demand for retail innovation and more 'smart' technology will drive a number of energy market participants and financial buyers to explore M&A in that space.
- 4 Activity in development assets**

Concern remains that the preceding three years have seen deals in later life assets and investment in exploration but insufficient investment in the potential development of oil and gas assets. A return to farm-ins and partnering transactions will help to drive new development spend.

2017 Key deals

- **Chevron** - the sale of Chevron's geothermal assets in Indonesia and the Philippines to a consortium composed of Star Energy, AC Energy (part of the Ayala Corporation) and Energy Generating Public Company.
- **Alinta Energy** - Chow Tai Fook Enterprises, a Hong Kong-based company majority owned by the Cheng family, acquired 100% of Australian gas and electricity retailer Alinta Energy for more than A\$4bn.
- **Loy Yang B** - following its earlier acquisition by Chow Tai Fook Enterprises, Alinta Energy emerged as the winning bidder in the competitive sale process for the 1,000MW coal-fired Loy Yang B Power Station located in Victoria (A\$1.2bn).
- **Lattice Energy divestment** - Origin Energy sold its conventional upstream oil and gas business, Lattice Energy, to Beach Energy for A\$1.6bn. Lattice's assets comprise a portfolio of conventional upstream assets in Australia and New Zealand, including interests in the Otway, BassGas, HBWS, Kupe, Cooper Basin and Perth Basin gas projects.
- **Endeavour Energy** - the Advance Energy consortium successfully acquired a majority stake in Endeavour Energy for A\$7.6bn, being the final asset in the NSW Government's 'poles and wires' privatisation process.
- **South Pars gas project** - China National Petroleum Corporation (CNPCI) invested in the development of Phase 11 of the South Pars gas project. This marks the first foreign oil and gas contract signed in Iran since economic sanctions were lifted in 2016.
- **Brookfield Asset Management** - Brookfield Asset Management acquired Westinghouse Electric Company from Japan's Toshiba Corp. in a US\$4.6bn transaction. Westinghouse Electric Company is a leader in the supply of nuclear technology with a presence in more than 20 countries worldwide, including China, Japan, South Korea, South Africa, the United Kingdom, Germany, Spain, France and the United States.

Herbert Smith Freehills acted on each of the transactions described above.

Malaysia

Positive signs abound



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2017 Highlights

- 2017 showed positive signs for the Malaysian M&A market. Although activity remained somewhat subdued, both private and public M&A activity increased against 2016 levels.
- The energy sector was particularly active, with a number of significant inbound and outbound transactions signing or completing.
- The Ringgit saw multi-year lows against some major currencies, including against the US Dollar and the Singapore Dollar, though it strengthened significantly in the latter part of the year. Some investors saw opportunity in the Ringgit valuation while others opted to sit tight and observe market conditions before committing.
- Ongoing uncertainty regarding the timing and likely outcome of elections in Malaysia caused a number of market participants to 'wait and see' during the course of 2017.
- Herbert Smith Freehills' Malaysia office opened in Kuala Lumpur in May 2017 to support Malaysian clients on their outbound investments and international clients on their inbound investments.

The state of the market

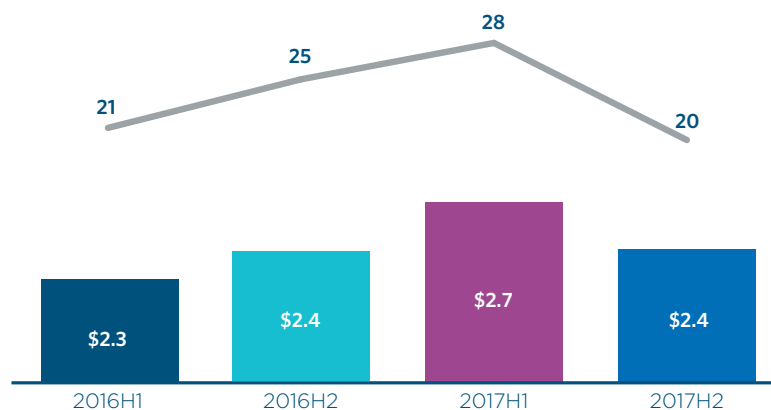
Malaysia, a net oil exporter, was negatively affected by low oil prices during 2017, which contributed to soft consumer spending. This, coupled with ongoing uncertainty in relation to elections in Malaysia, continued to temper investor confidence. Significant movements in the Ringgit (which saw multi-year lows in 2017, but with significant improvements in the latter part of the year) also prompted indecision amongst investors. As such, M&A activity remained subdued.

Nonetheless, 2017 showed positive signs for the Malaysian market, in both private and public transactions. Duff & Phelps report 408 deals valued at US\$17.6bn (against 375 deals valued at US\$14.3bn in 2016), this being the highest level in five years. Activity in the public market in 2017 also showed a slight improvement against 2016, with Mergermarket reporting 48 deals valued at US\$5.1bn (against 46 deals valued at US\$4.7bn in 2016).

The energy sector showed strong deal activity, such as PTTGL (advised by Herbert Smith Freehills) investing in Petronas' ninth liquefaction train at the Malaysian LNG complex. There were also significant investments made by local and foreign investors in the medical, manufacturing and real estate sectors, as a number of investors were willing to capitalise on favourable valuations amid the ongoing uncertainty.

Meanwhile, Malaysian investors continued to make strong contributions to regional and global M&A, such as Axiata and edotco acquiring two mobile towers businesses in Pakistan, Axiata divesting a stake in its Cambodian mobile subsidiary to Mitsui, and KWAP investing in Europe's Vortex Solar. Herbert Smith Freehills advised Axiata, edotco and KWAP on these transactions.

Total value (US\$bn) and number of Malaysian public M&A deals

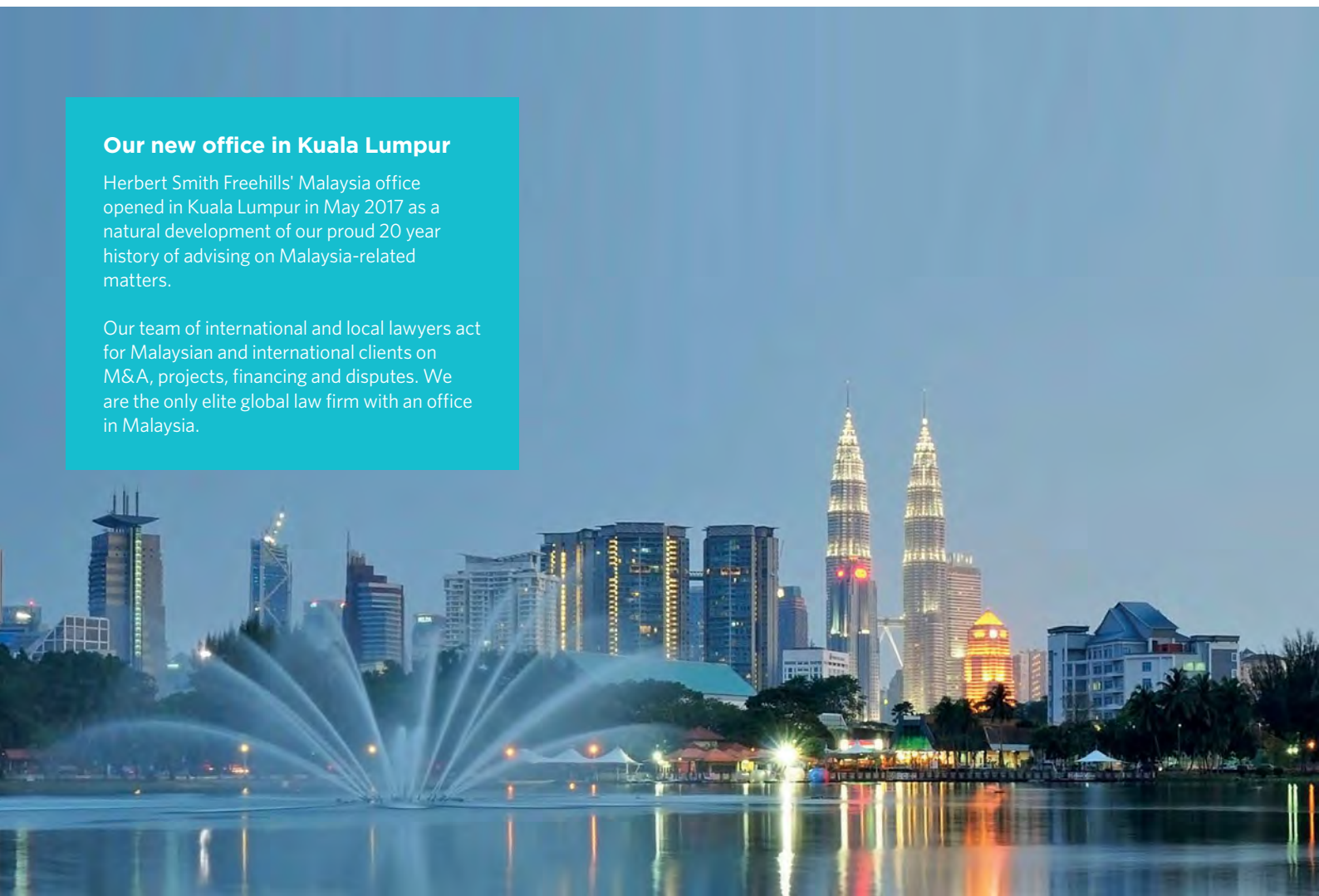


Source: Mergermarket*

Our new office in Kuala Lumpur

Herbert Smith Freehills' Malaysia office opened in Kuala Lumpur in May 2017 as a natural development of our proud 20 year history of advising on Malaysia-related matters.

Our team of international and local lawyers act for Malaysian and international clients on M&A, projects, financing and disputes. We are the only elite global law firm with an office in Malaysia.



Predictions for 2018

Our key predictions for Malaysia-related M&A in 2018 are as follows:

- 1 Clarity and stability to lead to stronger activity**

2018 promises to be a year that will deliver greater clarity and stability for the Malaysian market, which in turn is likely to lead to stronger investment activity to build on the positive signs shown during 2017. There are three key factors at play.

First, there is conservative confidence in the Malaysian economy generally, buoyed by predictions for consumer spending and improved oil prices.

Second, the Ringgit has, in the very early part of 2018, retained the gains made in the latter part of 2017, which is hopefully indicative of a steadier run for the currency for the remainder of this year. If relative stability persists, investor confidence will improve.

Third, and perhaps most importantly, elections must be held during the course of 2018. The outcome of these long-awaited elections is likely to release pent-up appetite amongst investors (who were unwilling to commit whilst the timing and result remained uncertain) in the second half of the year.

- 2 Activity in the insurance sector**

Bank Negara Malaysia (BNM, the Malaysian central bank) is requiring foreign insurers to sell down their stakes in Malaysian subsidiaries by June 2018, so that their (foreign) shareholding is no more than 70%. Technically, the foreign shareholding cap is not new. However it has not been strictly enforced by BNM, with a handful of Malaysian insurers remaining under 100% foreign ownership to date.

The high value of the Malaysian subsidiaries, relative to the market as a whole, means that there may be a mismatch between the stakes required to be divested on one hand, and investor appetite and capacity on the other hand. As things stand, BNM's directive has necessitated much deal exploration and discussion in the sector. It may be that large Malaysian funds will need to step in alongside Malaysian corporates, whilst foreign owners also explore options to IPO.

It remains to be seen whether the foreign owners will be able to comply with the directive, and what the consequences will be if they fail to do so. Either way, there promises to be significant activity in the insurance sector during 2018.

- 3 Infrastructure projects to bolster investor confidence**

A number of major infrastructure projects are underway or in the pipeline in Malaysia, most significantly the 70 acre TRX financial district development in central KL (under construction), the East Coast Rail Link that will link the country's east and west coasts, including major ports (commenced), the ongoing expansion of the Mass Rapid Transit system in Greater KL, the iconic KL-Singapore High Speed Rail project (for which bidding is underway) and the recently announced Johor Baru-Singapore Rapid Transit System.

These developments, and in particular the increased connectivity between economic centres within Malaysia and between KL and Singapore, also a hub for global trade and business, will reinforce KL's position as a leading world city and inspire confidence in the country as an investment destination with long term prospects.

2017 Key deals

- **PTTGL** - PTTGL Investment's US\$500m acquisition of a 10% stake in Petronas' ninth liquefaction train at the Malaysian LNG complex. PTTGL Investment is a subsidiary of PTT Global LNG, a 50/50 joint venture between Thailand's state-owned oil and gas company and its exploration and production subsidiary.
- **edotco** - the acquisition of Deodar, a mobile towers business with approximately 13,000 phone towers in Pakistan, by edotco for US\$940m. edotco is one of the leading telecommunications groups in Asia with approximately 320 million subscribers in 10 countries, and, as a result of the acquisition, became the largest independent telecommunications towers operator in Southeast Asia.
- **Axiata** - the US\$66m sale of a 10% stake in its Cambodian mobile subsidiary Smart Axiata, Cambodia's leading mobile service provider with over 8 million customers, to Mitsui.
- **Kumpulan Wang Persaraan** - KWAP, Malaysia's state-owned pension fund, acquired a 45% stake in Vortex Solar, one of Europe's leading renewable energy investment platforms for US\$90m.

Herbert Smith Freehills acted for PTTGL, Axiata, edotco and KWAP on the above transactions.



Myanmar

Steady activity, resilience and opportunities

2017 Highlights

2017 was a year of significant legislative changes for foreign investors, including:

- the implementation of comprehensive investment rules in the first half of 2017 to compliment the new Investment Law, which, among other things, clarify the new tax holiday and incentive regime applicable to foreign investment;
- the implementation of the Myanmar Competition Act in February 2017, representing Myanmar's first competition law regime and introducing internationally recognised antitrust concepts into Myanmar law; and
- the approval by parliament of a new Companies Law, which once in force (expected to be mid-2018 at the time of writing) will repeal the century old Company Act 1914 and bring Myanmar's company law regime into the 21st century.

The state of the market

Despite a slowdown in foreign investment during the 2016-2017 financial year, the investment outlook in Myanmar remains positive, with the economy rebounding in the first half of 2017 and set to continue gaining momentum despite concerns over the slow pace of economic reforms and social unrest in Rakhine state.

An IMF forecast released in November 2017 expects Myanmar's economy to grow by 6.7% in the year ending March 2018 – well above the 5.9% growth achieved for the 2016-2017 financial year.

Over the last year, we have continued to see strong activity in the TMT, oil and gas, manufacturing, consumer, and infrastructure sectors, amongst others. In the power sector, whilst there has been significant interest in the mini and off-grid solutions space, major power sector transactions effectively continue to be on hold whilst the government determines its policy position.

The agriculture sector – which the World Bank estimates represents 38% of GDP, 23% of exports and employs 60% of Myanmar's workforce – is expected to play a key role in the economy's growth, recovering from the effects of bad weather in 2016-2017.

An increase in public spending following stronger tax revenues, rising domestic demand and growing appetite for locally-made garments and light manufactured goods is also expected to further boost Myanmar's economy in the short to medium term.

We also expect the improved investment climate resulting from the implementation of the new Investment Law and soon-to-be enacted new Companies Law to lead to a major increase in foreign investment inflows in the next few years and to help broaden investment into more economic sectors.



Award-winning Myanmar practice

We have one of the most experienced and long-standing Myanmar practices, with a core team of specialists focused on the Myanmar market supported by lawyers across our global network. Our team includes lawyers who have previously lived and worked in Myanmar, as well as native Burmese speakers.

Our Myanmar practice group, which continues to act for a wide range of multinational corporations in connection with their investments in Myanmar, consists of approximately 15 partners and we have approximately 16 other fee-earners within the practice group.

Over the last four years, we have had a secondee based in Myanmar with a local firm. This has enabled us to fully understand the local legal and commercial market and the regulatory and political framework which our clients are likely to be faced with when investing in Myanmar. Senior Associate Guillaume Stafford currently lives and works in Yangon.



Recent accolades

- Won the M&A Deal of the Year (Midsize) for Axiata's acquisition of a majority stake in a Myanmar tower company - ALB Southeast Asia Law Awards 2016
- Band 1, Energy & Infrastructure, Myanmar - IFLR1000, 2017



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Predictions for 2018

Our key predictions for M&A and legal developments affecting M&A activity levels in Myanmar in 2018 are as follows:

- 1 Companies Law**

The newly approved Companies Law, which (at the time of writing) is expected to come into force in the second half of 2018, is a very welcome development, bringing the regulatory framework in line with regimes in more developed markets.

The following changes are of particular note:

 - minority foreign ownership up to 35% will be permitted in 'local' companies, resulting in a significant opening up of the market to foreign investment in sectors which were previously only open to local companies;
 - a company's business activities will no longer be restricted by an "objects" clause;
 - the directors' duties regime has been overhauled and expanded, to be more in line with that of the UK and Australia;
 - greater minority shareholder protections have been introduced;
 - companies are able to issue more varied classes of shares;
 - a Myanmar incorporated company can now be established with only one shareholder and one director; and
 - one director must be resident in Myanmar.

- 2 Ongoing legal developments**

Business conditions in Myanmar will continue to improve as more long-awaited legislation is passed. In particular, we expect to see the following legal developments:

 - new insurance regulations, which it is expected will permit foreign investment into the industry;
 - new intellectual property laws covering patent, copyright and trademark protections; and
 - new mining regulations, to help further open up the mining sector to foreign investment.

- 3 Healthcare sector**

The healthcare sector is set for another busy year of continued growth, following rising increases to state financing and the recent issue of Myanmar's first development blueprint for the sector: the National Health Plan 2017-21.

- 4 Upstream and downstream oil and gas sector**

We expect to see further M&A activity in both the upstream and downstream sectors, as the offshore exploration picture becomes clearer and investors seek to benefit from the recent liberalisation of the downstream market.

- 5 Continued increase in interest from overseas investors**

Whilst there remain concerns that ongoing conflict in Rakhine State may impact foreign investment inflows, as the IMF recently noted, the direct economic impact of the conflict still remains largely localised. Therefore, unless the conflict worsens, we expect to see a continued increase in the number of international corporates showing an interest in the market as a result of both the easing of trade barriers on Myanmar in late 2016, and the wide-ranging domestic legislative developments outlined above.

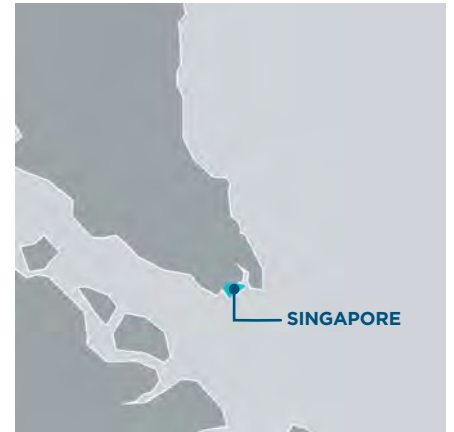
2017 Key deals

- **Woodside / CNPC International** - Woodside and CNPC International entered into a joint venture to participate in three offshore Myanmar blocks, AD-1, AD-6 and AD-8, with a planned drilling program to explore for and appraise potential hydrocarbon reservoirs.
- **Puma Energy Asia Sun** - Puma Energy Asia Sun made a US\$92m investment into Myanmar's largest petroleum products terminal, with a storage capacity of 91,000 cubic metres. Puma Energy Asia Sun is a joint venture between Puma Energy and Myanmar local firm Asia Sun Energy.
- **TPG** - TPG sold its 50% interest in Myanmar Distillery Co. to Singapore-listed Thai Beverage PLC, one of Asia's leading spirits groups.

Herbert Smith Freehills acted for Woodside and Puma Energy on the above transactions.

Singapore

Deal values on the rise



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2017 Highlights

- After recording a dip in 2016, 2017 saw a significant increase in deal value. However, deal volume remained similar to the levels seen in 2016.
- A jump in inbound deal value was led by two major deals in the transport and energy sectors. Reversing the position seen in 2016 and helped by these two deals, the value of inbound deals was higher than the value of outbound deals.
- Transport dominated inbound deals by value (about 50%) followed by energy (about 16%), whilst real estate dominated outbound deals by value (about 28%).
- Singapore's state funds, GIC and Temasek Holdings, together with Global Logistic Properties Limited, continued to drive outbound M&A activity.

The state of the market

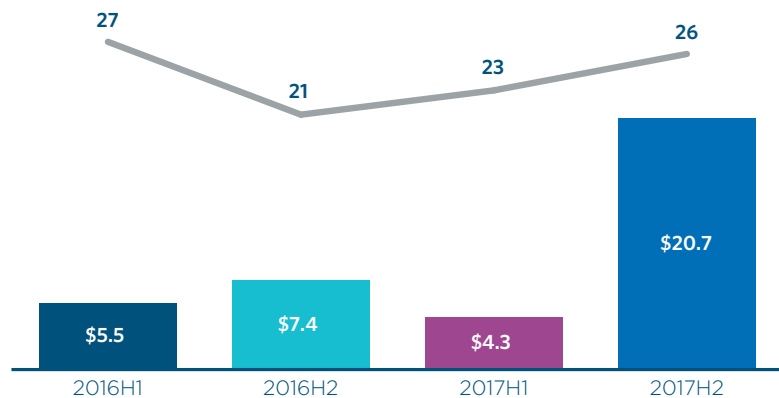
The levels of M&A activity observed in 2017 exceeded those seen in 2016, both in terms of deal value and deal volume.

The increase in inbound activity signals the cementing of Singapore's position as a strategic hub in Southeast Asia.

In relation to inbound activity, two large deals stood out in the transport sector: the acquisition of Global Logistics Properties Limited by a consortium of buyers (for c. S\$16bn, on which Herbert Smith Freehills advised), and the acquisition of CWT Limited by CWT International Limited (for c. US\$2bn). Major outbound deals included the acquisition of UK-based real estate player Gazeley Limited (for c. US\$2.8bn) and the acquisition of Allfunds Bank S.A. (for c. US\$1.9bn).

Public M&A witnessed a massive jump in the second half of 2017, driven mainly by the Global Logistics mega deal.

Total value (US\$bn) and number of announced Singaporean public M&A deals



Source: Mergermarket*

2017 Key deals

- Global Logistics** – Global Logistics Properties Limited was acquired by a consortium of buyers (including, inter alia, China Vanke, Hopu, Hillhouse Capital) through a scheme of arrangement. GIC was the single largest shareholder in Global Logistics Properties Limited before the acquisition and voted in favour of the scheme. The acquisition was for c. US\$11.6bn. HSF acted for a consortium member on this transaction.
- Equis Energy** – Global Infrastructure Partners and other consortium members acquired Equis Energy from the Singapore-based Equis Pte. Ltd. The sale was conducted by way of an auction process (with several Herbert Smith Freehills clients involved) and was reported to be worth about US\$3.8bn.
- Grab** – new and existing investors including Didi Chuxing, Softbank (advised by Herbert Smith Freehills) and the Japan-based Toyota Tsusho Corporation invested c. US\$2.5bn in the latest round of financing raised by Grab, Southeast Asia's leading on-demand transportation service provider. Grab reported that this was the largest ever single financing in Southeast Asia. The deal was awarded Best Singapore Deal for 2017 in FinanceAsia's Achievement Awards.

Herbert Smith Freehills acted on each of the transactions described above.



Predictions for 2018

Our key predictions for M&A in Singapore in 2018 are as follows:

- 1 Global asset management hub**

We have previously made predictions along these lines, and note that Singapore continues to strengthen its reputation on this front, assisted by a business-friendly regulatory framework. Significant measures include the MAS consultation in relation to the Singapore Variable Capital Company (S-VAAC), which is intended to be a new corporate structure for investment funds. The MAS also relaxed the regime which governs venture capital funds, and we expect that this will stimulate activity in this sector.
- 2 Real estate and logistics**

Reports suggest that while there has been a significant build-up of dry powder by real estate investors, market participants are being selective when considering commercial real estate transactions. 2017 was a big year for logistics investment in Singapore and we believe that interest in this sub-sector is likely to roll over into 2018.
- 3 Continued focus on tech**

Singapore continues to take steps to promote itself as an innovation hub. Grab's massive fundraise in 2017 was a reminder that tech players in Singapore have succeeded in accessing investors and talent. Start-up investments continued to rise in 2017 and we expect that this will continue in 2018. We expect to see a focus on a more diverse set of industry sectors seeking to utilise big data and artificial intelligence.
- 4 M&A momentum to continue**

Despite various potential risks (global and regional), we expect M&A activity to continue to rise in 2018, with a stronger second half (in line with previous years), in line with forecasts in relation to the wider Asia Pacific region. Continued outbound investment from China (albeit at levels lower than previous years) and the wider geopolitical environment will remain critical in this regard.
- 5 Continued harmonisation**

Considering the number of family-held businesses in Southeast Asia, we expect to see buyers of such businesses focussing on incorporating internationally accepted standards especially in relation to related party issues and conflicts of interest.



South Korea

M&A activity strong amidst security concerns and political tensions



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2017 Highlights

- M&A activity was strong despite North Korean provocations and continuing political tensions with China, with deal volume increasing from 352 announced deals in 2016 to 360 deals in 2017.
- The consumer and technology sectors were two of the most active sectors, and private equity firms were especially active players in these areas.
- Outbound deal activity increased significantly, with the number of outbound deals increasing from 48 in 2016 to 75 in 2017. There was a larger number of smaller scale outbound deals into diverse geographies, which accounted for the decrease in outbound deal value from US\$14bn in 2016 to US\$5.8bn in 2017.
- Inbound deal activity was strong, and featured some of the most high-profile cross-border deals of the year. The number of deals (42) remained steady relative to 2016 (46).

The state of the market

Neither North Korean missile and nuclear tests nor continuing tensions with China regarding the Terminal High Altitude Area Defense system have stalled general cross-border Korea-related M&A activity (as measured by the number of announced deals). While such political factors have proved costly to some market players, most prominently the Lotte Group, which is in the process of being forced to sell its large Chinese operations after providing land for defence to the Korean government, South Korean economic fundamentals remain sound and Korean conglomerates and private equity funds continue to hold large cash reserves and committed capital to deploy for acquisitions.

Sustained interest in consumer and technology sectors

The consumer and technology sectors were among the most active Korea-related sectors for Korean M&A in 2017, and private equity firms were significant players in these areas. Our Seoul-based corporate practice was heavily involved in these activities, advising on technology and consumer sector investments for Korean clients in nearly every continent during 2017, including Korea-based private equity funds as well as major Korean conglomerates.

Outbound transactions: more deals and destinations

While the United States remained the most favoured outbound jurisdiction in 2017, Korean acquirers are looking into investment opportunities in an increasingly diverse range of outbound destinations. Outbound deals reflected a trend of a larger number of mid-market and small cap M&A deals involving more Korea-based acquirers, evidenced by a significantly higher deal count in 2017 relative to 2016 but a lower aggregate deal value. Exemplifying this trend, our corporate practice in 2017 was involved in deals targeting more established outbound jurisdictions such as the UK and Australia, but we also advised in relation to M&A pursuits into destinations throughout Southeast Asia (Indonesia, Thailand, Malaysia and Vietnam), the UAE, Iran, Russia, South Africa and India.

Predictions for 2018

Our key predictions for M&A in Korea in 2018 are as follows:

1 Strong investment fund activities

As exemplified by Affinity Equity Partners' acquisition of a majority stake in Lock&Lock, investment funds have been active players in Korea. We have observed domestic private equity funds and asset managers focusing more on outbound investments and teaming with sovereign wealth funds and/or strategic investors when looking into overseas assets. We have also noticed that domestic asset managers are in the process of developing sector-specific expertise and investment strategies and have established sector-specific investment funds with Korean conglomerates and other major companies as strategic investors in such funds.

2 Sectors to watch

With developments such as messaging app service provider Kakao Corp announcing in December 2017 its plans to raise up to US\$1bn for use in global mergers and acquisitions, we expect an increase in activity in both outbound and inbound TMT transactions, with Korean companies introducing their IP and know-how to new markets and foreign investors looking to invest into Korean companies holding such assets.

We expect the consumer sector to continue to be active in 2018 with Korean companies exploring new markets, particularly in light of the limited domestic market and aging and shrinking population. Such companies are looking to explore the opportunities for growth available through outbound investment into Southeast Asia and other jurisdictions with large populations and increasing incomes.

We also expect pharmaceuticals and healthcare to become more active sectors in 2018 with new entries from major conglomerates and overseas expansions by existing players. Samsung and other conglomerates are raising their level of investments in medical devices and healthcare assets, while pharmaceutical companies and other healthcare providers are venturing into overseas markets and making outbound acquisitions.

A key tenet of President Moon Jae-in's election promise was to reduce Korea's heavy reliance on coal and nuclear power for its energy needs and accelerate the shift towards renewables. The new administration (which assumed office in May 2017) has recently laid out an ambitious target of Korea producing 20% of its electricity from renewable sources by 2030 (from the current level of 5-6%). This drive is expected to require up to ₩100-130t (circa US\$95-120bn) in new investment into the sector. Backed by firm government commitment, we expect heightened interest and transactional activity in the domestic renewables sector (including market entry and M&A by foreign investors). Korean investment into overseas renewables projects was strong in 2017 and we expect this to continue unabated in 2018.

2017 Key deals

- **Unilever/Bain Capital and Goldman Sachs** – Unilever acquired approximately 95% of personal care group Carver Korea, maker of AHC skincare products, from Bain Capital, Goldman Sachs and Carver's founder for approximately €2.3bn.
- **Affinity Equity Partners/Lock&Lock** – Affinity Equity Partners acquired a majority stake in leading plastic container maker Lock&Lock from two major shareholders (including Lock&Lock's founder) for approximately US\$561m.
- **Investment into Toshiba's memory business** – SK Hynix agreed to contribute approximately US\$3.5bn to a Bain Capital Private Equity-led consortium to acquire 49.9% of Toshiba's memory business for approximately ¥2t (US\$17.7bn) (pending and subject to regulatory approval).

Industry Focus: TMT

Chinese tech giants drive increased activity



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2017 Highlights

- Technology, media and telecommunications (TMT) deal value in the Asia Pacific region increased to US\$150bn in 2017, after 2016's slowdown.
- Deal numbers remained fairly consistent, reflecting global M&A trends.
- Technology continued to lead deal activity, making up around 80% of TMT activity in Asia Pacific by deal value and reaching its highest global deal count on record.
- While the United States continued to dominate global TMT deal activity, the Asia Pacific's share grew, reaching a regional record of 35% market share by value in the first three quarters of 2017.
- Chinese buyers continue to dominate in Asia Pacific TMT, although over 90% of Chinese targets were domestic technology acquisitions and over 90% of lapsed Asia Pacific TMT deals were cross-border China transactions, at least in part reflecting lingering capital flow restrictions.

The state of the market

2017 saw a rebound in TMT M&A after a slightly slower 2016. Deal value increased to US\$150bn in 2017, while the number of deals remained fairly consistent with 2016. Asia Pacific TMT deals accounted for a record 35% of global market share for the first three quarters of 2017. The Asia Pacific also claimed three out of the top five transactions globally. Chinese 'tech giants' remained active buyers in 2017, whilst Japan's Softbank engaged in a record 28 transactions for the year.

A number of large deals were transacted in the region, including Toshiba's sale of its microchip division for US\$17.7bn to a Bain Capital led consortium and Alibaba's acquisition of a stake in Sun Art for US\$2.9bn.

Predictions for 2018

Our key predictions for M&A in TMT in 2018 are as follows:

- 1 China's tech giants**

The market value of both Tencent and Alibaba Group more than doubled over 2017, with both now featuring in the world's top 10 listed companies by market capitalisation. In 2018, we expect to see continued investment by China's 'tech giants' in new ventures, projects and technologies across a diverse range of sectors, as well as continued foreign investment in, or together with, China's 'tech giants' as foreigners seek to tap into the Chinese consumer and service markets.
- 2 Continued disruption by tech of non-tech sectors**

Transactions in 2017 demonstrated the ever-increasing penetration of technology in non-technology sectors, particularly in consumer and financial services. We expect this trend to continue in 2018, for example in the retail e-commerce space, as competition intensifies between the key players in Asia including Amazon, Alibaba and Tencent and their associated companies.
- 3 Technology and innovation acquisition**

Technology development and innovation will continue to drive deal making in 2018, as companies buy in knowledge and technology rather than spend on research and development themselves. Technology improvements have disrupted all sectors, and advanced technologies such as artificial intelligence and machine learning will further challenge businesses to remain efficient and competitive.
- 4 SoftBank Vision Fund**

SoftBank's US\$100bn Vision Fund, backed by tech giants including Apple, Qualcomm and Sharp, as well as sovereign funds from Saudi Arabia and the United Arab Emirates, is the largest ever technology investment fund. The Vision Fund is reshaping technology investment with its extraordinary resources and market power. The Vision Fund will invest an average of US\$20bn each year over five years, which will continue to fuel TMT-related M&A activity, including in Asia Pacific, throughout 2018.
- 5 Cybersecurity concerns**

Cybersecurity concerns continue to present a significant threat to deal value and activity, and we expect cybersecurity to attract even more attention from acquirers in 2018. Developing economies in Asia Pacific are among the most likely to encounter cybersecurity challenges. The US\$350m reduction in the purchase price paid by Verizon for Yahoo after the disclosure of two massive data breaches highlights the significant impact cybersecurity can have on M&A deal value.

2017 Key deals

- **Hutchinson and I Squared Capital** – I Squared Capital Advisers, an independent global infrastructure investment manager, acquired Hong Kong's Hutchison Telecommunications' fixed line business, Hutchison Global Communications for approximately US\$1.9bn. The deal won Best Hong Kong Deal in the 2017 FinanceAsia Achievement Awards.
- **Domain and Fairfax Media** – Fairfax Media, the listed Australia-based digital media company, agreed to spin off Domain, its real estate media and technology services business, as an independent publicly traded company listed on the Australia Securities Exchange, with a debut value of around US\$1.8b.
- **Didi/Softbank and Grab** – Japan's Softbank and China's Didi Chuxing led a US\$2bn funding round into Grab, the Southeast Asian ride-hailing company, the largest single tech equity financing in Southeast Asia. The deal won Best Singapore Deal in the 2017 FinanceAsia Achievement Awards.
- **Alibaba and Sun Art** – China's tech giant, Alibaba, acquired a stake in Sun Art, one of the main hypermarket operators in China, for US\$2.9bn.
- **Toshiba and Bain Capital** – Japanese conglomerate Toshiba sold its microchip business for US\$17.7bn to a consortium led by Bain Capital and including Apple and Dell.

Herbert Smith Freehills acted for I Squared Capital, Fairfax Media, Softbank and Sun Art on the deals listed above.

Thailand

M&A activity persists amid political flux



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2017 Highlights

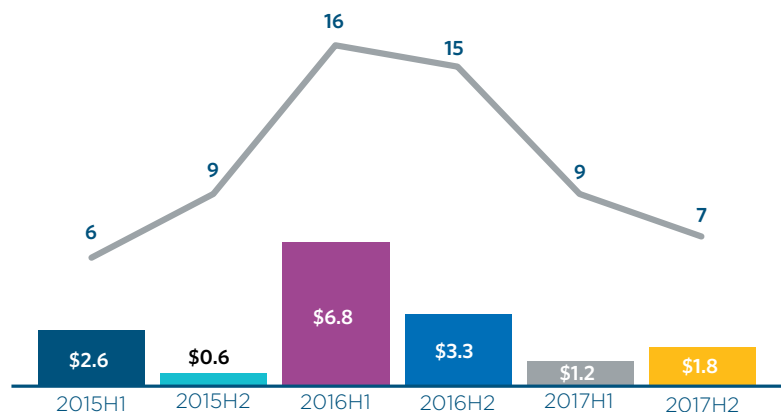
- Following a number of large value 'mega-deals' in 2016, Thailand M&A activity softened in 2017, with deal volume and values returning to 2015 levels.
- 2017 was a very significant year in Thai politics, which included constitutional changes, the coronation of King Maha Vajiralongkorn and the announcement of a late 2018 election. Should political uncertainty continue into 2018, this may result in mixed levels of M&A activity for the new year.
- Despite the political climate, there was still significant foreign direct investment and cross-border M&A activity into Thailand in 2017 (particularly from Japan and Malaysia), and a continued appetite on the part of Thai companies for outbound M&A opportunities.

The state of the market

In light of the surge in mega-deals in 2016, particularly the US\$6.2bn Big C Supercentre acquisition, and a climate of increased political uncertainty, it was relatively unsurprising that M&A activity in Thailand was more subdued in 2017 (as we predicted in last year's edition of this Review).

Both deal volume and values in 2017 were largely consistent with 2015 levels, with around US\$3bn of public M&A transactions. Thai companies' appetite for outbound M&A in both neighbouring Southeast Asian nations and further abroad remained strong, with key examples of this continuing trend including SCG Cement-Building Materials Co., Ltd's acquisition of Vietnam Construction Materials (US\$440m) and U City plc's acquisition of Austria-based Vienna International Hotelmanagement AG. (US\$352m).

Total value (US\$bn) and number of announced Thai public M&A deals



Source: Mergermarket*



Predictions for 2018

Our key predictions for M&A in Thailand in 2018 are as follows:

- 1 Political uncertainty impacting business conditions**

Ongoing political uncertainty since the death of His Majesty King Bhumibol Adulyadei in October 2016 was somewhat of an obstacle to growth in the M&A space in 2017. Late 2017 saw the end of the one-year royal mourning period for the former King and the coronation of King Maha Vajiralongkorn which was a symbol of renewal for Thailand. The announcement of a general election in November 2018 (and the possibility of it being delayed) may create some uncertainty in the political and economic climate, which could lead to mixed M&A activity.
- 2 Consumer goods**

In 2017 we saw a number of deals in Thailand involving consumer goods (particularly in the food and beverage subsector), including the acquisitions of President Bakery and President Rice Products. We predict that domestic M&A activity in this sector generally (and the food and beverage subsector particularly) will continue to be a key growth area, particularly with anticipated growth in consumer spending in 2018. We also expect this area to be a continued sector of focus for outbound M&A opportunities pursued by Thai companies in the coming year.
- 3 Inbound investment**

We expect inbound investment into Thailand to continue to increase in 2018, particularly foreign direct investment from Japan and China. We anticipate that this increase will be supported by the roll out of further infrastructural foundations to support the Eastern Economic Corridor and as a result of China's continued development of and investment in the Belt and Road Initiative.

2017 Key deals

- **Thai Storage Battery** – In a US\$140m acquisition, Japan-based electronics manufacturer Hitachi Chemical Co., Ltd. acquired a 43.9% stake in Thai Storage Battery Plc from its existing majority shareholders, followed by a mandatory tender offer for outstanding minority stakes, pursuant to which Hitachi acquired an aggregate stake in Thai Storage Battery of approximately 87%.
- **LoxInfo Public Company** – Advanced Info Service, a Bangkok-based mobile phone operator, has acquired CS LoxInfo Public Company Limited from telecommunications companies Thaicom and Singtel. The US\$140m transaction will assist Advanced Info Service to expand its service coverage to the enterprise market.
- **President Rice Products and President Bakery** – In a US\$225m transaction, Saha Pathana Inter-Holding Company (SPI) acquired President Holding Co., Ltd., whose assets include shares in three listed companies (being Thai President Foods (TF), President Rice Products (PR) and President Bakery Company (PB)), by way of an entire business transfer. The entire business transfer triggered a mandatory tender offer for the outstanding shares in PR and PB, following which TF and PR were delisted and amalgamated into a new company, TFMAMA, which was subsequently listed on the Stock Exchange of Thailand.

2017 Asia Pacific M&A achievements

2nd

by deal count
(Asia Pacific ex. Japan)

1st

**by deal count
and value**
(Australasia)

3rd

by deal value
(Asia Pacific ex. Japan)



Deals of the Year (2017)

ASIA-PACIFIC DEAL OF THE YEAR

ENDEAVOUR ENERGY - PFI AWARDS 2017

BEST HONG KONG DEAL

SALE OF HUTCHISON GLOBAL COMMUNICATIONS TO I SQUARE CAPITAL ADVISOR FOR US\$1.9BN - FINANCEASIA ACHIEVEMENT AWARDS 2017

AUSTRALIAN DEAL OF THE YEAR

ACQUISITION OF ASCIANO BY BROOKFIELD AND QUBE - AUSTRALASIAN LAW AWARDS 2017

JAPAN DEAL OF THE YEAR

SOFTBANK'S ACQUISITION OF ARM HOLDINGS - ALB JAPAN LAW AWARDS 2017

BEST SINGAPORE DEAL

GRAB'S US\$2BN FINANCING ROUND - FINANCEASIA ACHIEVEMENT AWARDS 2017



The only international law firm ranked in the Top 3 for Southeast Asia M&A in 2016 and 2017 combined, by both value and volume.

"BECAUSE THE FIRM IS SO STRONG AND DEEP IN SO MANY AREAS, WHEN YOU HIRE THEM FOR M&A YOU GET COMPLETE ACCESS TO A FULL RANGE OF HIGHLY TALENTED PROFESSIONALS"

CHAMBERS ASIA PACIFIC 2018

"THEIR DIVERSE EXPERIENCE AND UNIQUE SECTOR SPECIALISMS ARE KEY DIFFERENTIATORS FROM THEIR MARKET PEERS"

CHAMBERS ASIA PACIFIC 2018

"I'D HIGHLIGHT THEM AS A STAND-OUT FIRM"

CHAMBERS ASIA PACIFIC 2017

"THEY HAVE MORE DEPTH ON THE BENCH BY QUITE A MARGIN; THERE ARE SEVERAL LAWYERS THERE I COULD GIVE A COMPLEX M&A MATTER TO"

CHAMBERS ASIA PACIFIC 2017

"AMONG THE BEST TEAMS IN THE MARKET"

CHAMBERS ASIA PACIFIC 2018

"THEY WERE VERY RESPONSIVE. THEIR TECHNICAL KNOWLEDGE, INSIGHT ON THE OVERSEAS MARKETS AND EXECUTION OF THE DEAL WERE ALL IMPRESSIVE."

CHAMBERS ASIA PACIFIC 2018

Asia Pacific M&A: Rankings and recent awards

Rankings

- **Tier 1**, Corporate and M&A, Australia – *Asia Pacific Legal 500*
- **Band 1**, Corporate/M&A, Australia – *Chambers Asia Pacific*
- **Tier 1**, Corporate and M&A, Indonesia – *Asia Pacific Legal 500*
- **Band 1**, Corporate M&A (HBT), Indonesia – *Chambers Asia Pacific*
- **Tier 1**, Corporate and M&A, Japan – *Asia Pacific Legal 500*
- **Band 1**, Corporate/M&A, Japan – *Chambers Asia Pacific*
- **Band 1**, Corporate/M&A – Highly Regarded (International Firms), China/Hong Kong – *Chambers Asia Pacific*
- **Band 1**, Corporate M&A, India (Deals Based Abroad) – *Chambers Asia Pacific*



Recent awards

AUSTRALIAN DEAL OF THE YEAR

ACQUISITION OF ASCIANO BY BROOKFIELD AND QUBE - AUSTRALASIAN LAW AWARDS 2017

ASIA-PACIFIC LAW FIRM OF THE YEAR

CHAMBERS ASIA-PACIFIC AWARDS 2017

ASIA-PACIFIC DEAL OF THE YEAR

ENDEAVOUR ENERGY - PFI AWARDS 2017

GLOBAL M&A DEAL OF THE YEAR: UNITED STATES

BAT PLC/REYNOLDS AMERICAN INC. - THE AMERICAN LAWYER GLOBAL LEGAL AWARDS 2017

MOST INNOVATIVE LAW FIRM IN BUSINESS OF LAW

FT ASIA-PACIFIC INNOVATIVE LAWYERS AWARDS 2017

LAW FIRM OF THE YEAR (>500 EMPLOYEES)

AUSTRALASIAN LAW AWARDS 2016-2017

DEAL FIRM OF THE YEAR

M&A, AUSTRALIA – AUSTRALASIAN LAW AWARDS 2016

INDIA DEAL OF THE YEAR

CIPLA'S BRIDGE FACILITY FOR THE ACQUISITION OF INVAGEN PHARMACEUTICALS AND EXELAN PHARMACEUTICALS – INDIA BUSINESS LAW JOURNAL 2016

M&A DEAL OF THE YEAR: TMT

EDOTCO'S ACQUISITION OF MYANMAR TOWER, ASIA – ASIAN LAWYER EMERGING MARKETS AWARDS 2016

BEST OVERALL INTERNATIONAL LAW FIRMS FOR CHINA WORK

CHINA BUSINESS LAW JOURNAL AWARDS 2016

DEAL OF THE YEAR (ENERGY & NATURAL RESOURCES)

CNPC INTERNATIONAL'S PARTICIPATION IN THE SOUTH PARS BLOCK PHASE 11 IN IRAN – CHINA BUSINESS LAW JOURNAL AWARDS 2017

JAPAN DEAL OF THE YEAR

SOFTBANK'S ACQUISITION OF ARM HOLDINGS
- ALB JAPAN LAW AWARDS 2017

BEST HONG KONG DEAL

SALE OF HUTCHISON GLOBAL
COMMUNICATIONS TO I SQUARE CAPITAL
ADVISOR FOR US\$1.9BN - FINANCEASIA
ACHIEVEMENT AWARDS 2017

DEAL OF THE YEAR (OVERSEAS M&A - ENERGY)

BEIJING GAS GROUP'S ACQUISITION OF A 20%
STAKE IN RUSSIA'S VCNG - CHINA BUSINESS
LAW JOURNAL AWARDS 2017

ENERGY & RESOURCES DEAL OF THE YEAR

TRANSGRID, AUSTRALIA - AUSTRALASIAN
LAW AWARDS 2016

RENEWABLES DEAL OF THE YEAR

STAR ENERGY - PFI AWARDS 2017

ENERGY LAW FIRM OF THE YEAR, CHINA

CHINA LAW & PRACTICE AWARDS 2016

M&A DEAL OF THE YEAR (PREMIUM)

CGN'S ACQUISITION OF 1MDC'S POWER
BUSINESS, SEA - ALB MALAYSIA LAW
AWARDS 2016

BEST SINGAPORE DEAL

GRAB'S US\$2BN FINANCING ROUND -
FINANCEASIA ACHIEVEMENT AWARDS 2017

*References to Mergermarket data regarding 'public M&A deals' in particular jurisdictions is, unless otherwise stated, limited to public deals announced during 2017 (being transactions that require approval either from the bidder, target or vendor shareholders in a public forum) in which the relevant jurisdiction represents the dominant target geography and deal geography.

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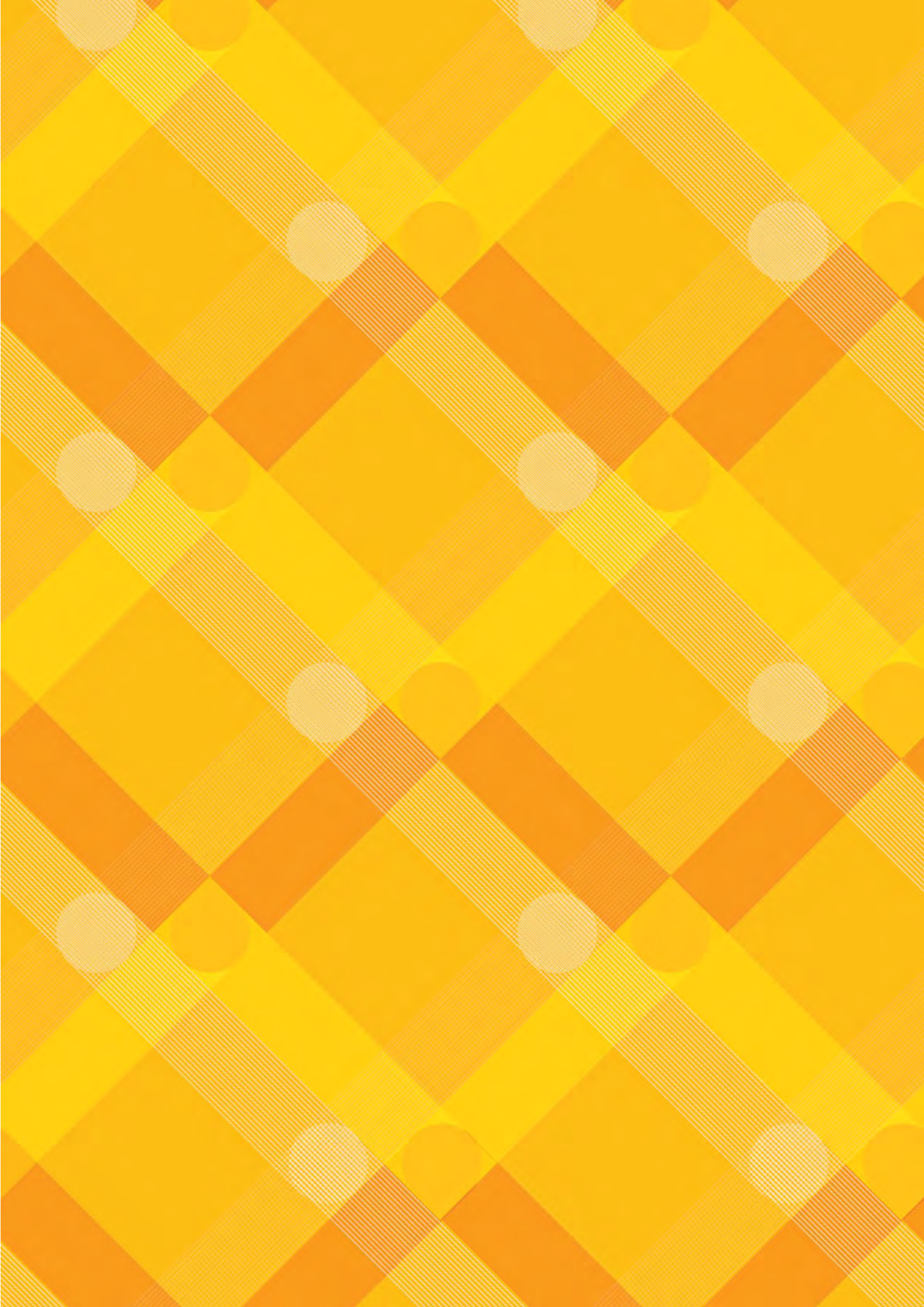
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