Around Asia Pacific

Singapore

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The big picture

"Around Asia Pacific" is Hogan Lovells' periodic overview of the private equity landscape in Asia Pacific and supplements our "Around Europe" series.

Previous editions have covered Greater China (including Hong Kong), Vietnam, Malaysia and Indonesia, and in this edition we turn our attention to Singapore. Our next edition will look at the private equity market in Australia.

Over the past year, while China has experienced a continued economic slowdown, deal activity in the Asia Pacific region has been robust, in terms of value and volume, with public-to-private and digital technology deals dominating activity in China and India.

In Southeast Asia, deal activity was less spectacular, with increased competition in what is already a crowded market and a significant chunk of dry powder (about two years' worth of investment, according to a report by Bain & Company), meaning more desirable assets are likely to have been overvalued.

Investor sentiment across the Southeast Asia region is positive, with Asian-backed private equity firms continuing to break fundraising records (for example RRJ Capital raised US$4.5 billion in September 2015).

In Singapore, we have seen activity in the engineering, technology, consumer and electronics sectors. We expect to see a continuation of countercyclical opportunities arising in the oil and gas sector owing to low commodity prices and uncertainty in the industry.

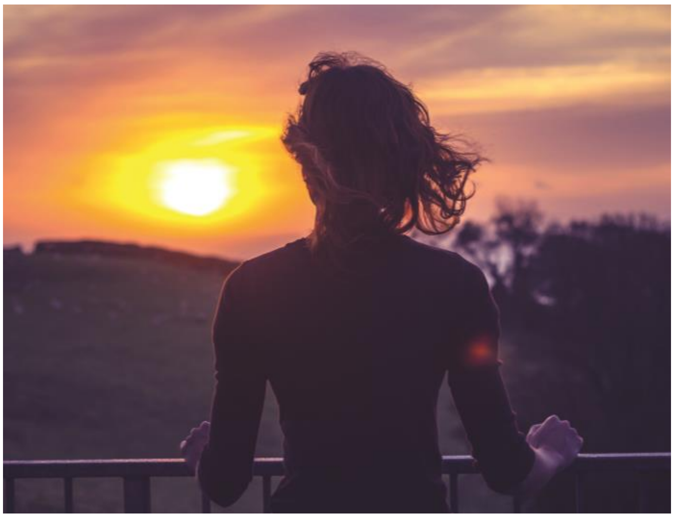
The Singapore government has demonstrated its commitment to growing the Fintech sector, discussed in more detail below, encouraging start-ups to develop disruptive technology, and making Singapore an attractive place to base technology-focused funds.

The ease of doing business in Singapore, the country's zero-tolerance approach to bribery and corruption, and its mature funds industry make Singapore a highly desirable business and private equity hub in Southeast Asia.

Infrastructure spending in Singapore and neighbouring countries, such as Indonesia, is set to be a high priority over the next few years, with private investment being sought from institutional investors.

For example, and as further discussed below, Temasek, Singapore's sovereign wealth fund, has partnered with JTC Corporation to push the urbanisation agenda in Singapore, with improvements to the public transport network and the expansion of Changi airport with a new terminal 5 and third runway on the agenda.

In this edition of Around Asia Pacific, we will look at the significant deals of the past year, the current investment climate, our expectations for the remainder of 2016, what investors need to know, and key legal developments.



The deals

Consortium led by Macquarie acquires 49% stake in Singapore-based oil storage provider Universal Terminal for US$704 million

In December 2015, a consortium led by Macquarie Infrastructure and Real Assets ("Macquarie"), acquired a 49% stake in Universal Terminal (S) Pte Ltd ("Universal Terminal"), a Singapore-based oil storage provider. This stake was bought from Hin Leong Trading Pte Ltd, a Singapore-based petroleum storage terminal and oil trader, and PetroChina Company Limited, a listed China-based company engaged in the production and sale of oil and gas.

The consortium was led by Macquarie and included the Abu Dhabi Investment Authority and South Korean pension manager National Pension Service.

Universal Terminal began trading in 2008, and the company's facilities include 78 storage tanks and 15 jetties which hold 2.33 million cubic metres of storage capacity.

Universal Terminal recently invested in an additional base oil and lubricating facility as part of an expansion programme to construct five additional tanks and three additional bunker barge berths to ensure faster turnaround for break bulk business trades.

Bain and GIC acquire US$325 million stake in QuEST Global, the Singapore-based engineering, design automation and drafting and 3D modelling service provider

Singapore-based sovereign wealth fund, GIC Private Limited ("GIC"), and Bain Capital LLC ("Bain Capital"), the US-based private equity firm, have jointly invested US$325 million for a minority stake in the Indian engineering services firm QuEST Global Pte Ltd ("QuEST").

Bain Capital and GIC acquired the 26% stake from Warburg Pincus LLC ("Warburg") after a highly competitive bid process involving US rivals Advent International, Silver Lake Partners, Carlyle Group and UK rival Apax Partners. Advent International has since acquired an 8% shareholding from some minority investors for US$80 million.

Singapore-incorporated QuEST focuses on the oil, gas, and aerospace industries; clients include Rolls-Royce, Halliburton and Baker Hughes.

QuEST's revenue has steadily grown, aided by its recent buyouts of Kerala-based NeST Software and Germany's EDF in 2015. The company aims to reach US$1 billion in turnover by 2020.

Ajit Prabhu, co-founder, chairman, and CEO of QuEST stated “We started QuEST with the vision of becoming the most recognised and trusted global engineering partner for our customers.

This investment by three of the most respected global investors reflects the progress we are making."

Baring Private Equity Asia offers to acquire majority stake in SGX-listed precision engineering company Interplex Holdings for US$319 million

In December 2015, Baring Private Equity Asia ("Baring"), made an unconditional offer to acquire Interplex Holdings Ltd ("Interplex"), an SGX-listed precision engineering company.

Interplex makes components for automotive firms such as electric car manufacturer, Tesla Motors, along with other parts for consumer electronics corporations and hard disk manufacturers.

The offer Baring made was for a cash price of S$0.82 per share (with dividend) which valued Interplex at approximately US$320 million (S$450 million).

This represented a premium of 15.5% to the closing price of S$0.71 per share on 23 December 2015, prior to the offer announcement.

Baring received commitments from Interplex's major shareholders - Metcomp Group Holdings, controlled by CVC Capital Partners (28.01%), and Standard Chartered Private Equity Ltd (29.65%).

The closing date for this transaction has not yet been confirmed after it was previously intended for 25 April 2016

Guangdong Golden Glass Technologies to acquire Singapore multimedia transmission solution provider Onwards Media Group for US$469 million

Guangdong Golden Glass Technologies Limited ("Guangdong Golden Glass") has agreed to acquire Onwards Media Group Pte Ltd ("Onwards MG") from private investors as well as Chinese private equity firms Guangzhou Zhishang Equity Investment Center and Shenzhen Nalande Investment Fund Management Co. Ltd., together the "Sellers", for US$469.2 million (CN¥3 billion).

Onwards MG is a Singapore-based point-to-point multimedia transmission solution provider.

The acquisition by Guangdong Golden Glass is in line with its strategy to increase market profitability and diversify its risk exposure.

This transaction will be conducted via a fresh issue of shares; a total of 206,469,373 new shares will be issued at US$2.27 (CN¥14.53) per share to the Sellers, representing a 45.65% stake in Guangdong Golden Glass, in return for 100% of the shares in a Shenzhen holding company that has a 36% stake in Onwards MG.

The lock-up period for the consideration shares will be at least 36 months following completion of the transaction.

The transaction is subject to approval from China Securities Regulatory Commission (CSRC).

Chinese PE firm CITIC acquires SGX-listed medical device company Biosensors International Group for US$695 million

On 8 April 2016, CITIC Private Equity Funds Management Co Ltd ("CITIC"), the China-based private equity firm, increased its 19.6% shareholding to a majority stake in Biosensors International Group ("Biosensors"), a Singapore-listed developer, manufacturer and marketer of innovative medical devices.

The transaction was conducted via a cash scheme under the jurisdiction of Bermuda. The deal valued the share capital at S$0.84 per share, representing a 23.53% premium on the closing price of S$0.68 per share on 23 October 2015, the last trading day prior to trading suspension.

Biosensors specialises in cardiovascular devices and medical imaging equipment; its international portfolio includes the recently announced BMX-J, a cardiac drug-coated stent and drug-eluting stent technology which was launched in Japan.

China Investment Corporation co-invests in Singapore-based GrabTaxi in US$350 million deal

China Investment Corporation ("CIC") has acquired an undisclosed stake in GrabTaxi Holdings Pte Ltd ("GrabTaxi"). CIC is a Chinese sovereign wealth fund, which is also an investor in Didi Kuaidi, one of China's largest taxi app firms.

The deal is estimated to be valued at US$350 million and will raise GrabTaxi's valuation to approximately US$1.8 billion.

GrabTaxi plans to expand its private vehicle hire and motorbike booking services, which currently exist in Vietnam, Indonesia, and Thailand. It also hopes to invest further in technology, with a US$100 million investment announced in April 2015 in a state-of-the–art data centre based in Singapore. GrabTaxi operates in 26 cities across six different countries in Southeast Asia and claims dominance in this market.

It is predicted that the CIC investment will provide ammunition to battle against Uber and Go-Jek for increased market share in Southeast Asia.

Metro Group acquires food importer Classic Fine Foods Group for US$328 million

Germany-based Metro Group AG ("Metro") has acquired Classic Fine Foods Group ("CFF"). CFF is a Singapore-based importer and distributor of premium food products to clients such as five-star hotels, high-end restaurants, airlines and delicatessen stores.

Metro acquired CFF from EQT Greater China II LP ("EQT"), a Sweden-based fund of EQT Partners AB, for US$328 million, including earn-outs of US$38 million, linked to the company's performance over a two-year period. CFF has a strong track record, having grown by approximately 15% year-on-year since it was acquired by EQT in 2011.

The acquisition strengthens Metro’s wholesale subsidiary METRO Cash & Carry International Gmbh ("METRO Cash & Carry") as it provides access to premium food service distribution markets in Asia and the Middle East. Pieter Boone, CEO of Metro Cash & Carry has stated "with Classic Fine Foods, we have found the perfect partner to expand in high growth Asian food service distribution markets."

CFF employs approximately 800 employees and generates annual sales of more than US $200 million.

The acquisition was funded internally by Metro and comes following the sale of its Galeria Kaufhof department store chain to Canadian retailer Hudson Bay for approximately EUR €2.8 billion and it's Cash and Carry business in Vietnam for USD$746,470,750.

Bain Capital sells FCI Group to Amphenol East Asia for US$1.275 billion

Hong Kong-based Amphenol East Asia Limited ("Amphenol") completed its acquisition of Singapore-based FCI Asia Pte Ltd ("FCI") for US$1.275 billion on 8 January 2016. Amphenol acquired 100% of FCI from Bain Capital, financing the transaction through a combination of debt and cash.

Amphenol designs, manufactures and assembles electronic and fibre optic connectors, interconnect systems, antennas, sensors and sensor-based products. FCI are seen as a global leader in interconnection solutions for telecom, datacom, wireless communications and industrial markets.

According to CEO Adam Norwitt, the acquisition of FCI is in line with Amphenol's growth strategy to increase its profitability and create value for its shareholders and consumers. FCI are expected to generate in excess of US$600 million in 2016, with more than two thirds of the company's revenue coming out of Asia Pacific.

Temasek Holdings and JTC Corporation set up joint venture worth US$3.69 billion to push urbanisation agenda

In June 2015, Temasek Holdings Pte Ltd ("Temasek") and JTC Corporation ("JTC") entered into a joint venture that has created a giant integrated urban solutions platform in Singapore by merging four of their subsidiaries, worth in aggregate approximately US$3.69 billion (S$5 billion). Temasek holds a 51% majority stake, and JTC holds the remaining 49%.

The aim of the integrated platform across the four companies is to leverage the scale and expertise of each company to handle larger-scale complex urban development projects, while maintaining flexibility across the urban development value chain.

All four companies have experience in completing large-scale global projects in places such as China and the Middle East.

Dilhan Pillay Sandrasegara, head of the enterprise group at Temasek, stated "apart from the trends we see with the increasing urbanisation in growth markets, we also see an emerging and keen interest in building sustainable cities both inside and outside Asia". The joint venture will look to engage with such opportunities.

TIH purchases a majority stake in healthcare-focused portfolio from a unit of Temasek Holdings

In May 2016 Singapore-listed PE firm TIH Ltd ("TIH") which is owned by Argyle Street Management, a Hong Kong asset manager, purchased a majority stake in a resources and healthcare-focused portfolio from a unit of Temasek for S$62 million (US$45.8 million).

The portfolio includes stakes in Whiterock Medical, a locally based distributor of medical instruments, and Australian coal operations company Carbon Energy which are managed by the International Finance Corporation (IFC) and Australia's Pacific Road Capital respectively.

TIH has previously acquired assets from Temasek; in October 2014 they completed a S$129 million acquisition including a minority interest in CEI Contract Manufacturing and the assignment of beneficial ownership in a minority interest of Mitsui Life Insurance Company.

TIH chairman Kin Chan said in a statement that the acquisition was part of "TIH's new strategy to move beyond private equity and venture capital investments".

Market commentary and analysis

Growth in turbulent global market

Against the backdrop of an increasingly uncertain private equity market in China, with the real GDP growth rate steadily declining and US$5.1 trillion in wealth evaporating on the Shanghai Stock Exchange between mid-June and the end of August 2015, the Asia Pacific private equity industry posted one of its strongest years on record, with deal value reaching US$125 billion, surpassing 2014's record.

This deal momentum was emulated in Singapore, which accounted for more than 52% of total private equity deal values within Southeast Asia.

In 2015 private equity deal volume in Southeast Asia was 148 with total announced deal value of approximately US$2.41 billion, compared to 106 deals valued at US$3.54 billion in 2014.

Although Southeast Asia remained one of the few growth hotspots in 2015, the year was characterised by investors taking a more conservative approach to emerging markets.

In a survey carried out by Preqin in 2015, only 27% of Asian private equity investors surveyed made new commitments in 2015, compared to 55% in the preceding year.

Technology sector focus

Private equity investment in the technology sector continues on a high, with investors favouring funds with strong sector and geographical advantages. A number of technology funds were established in 2015 in Southeast Asia, particularly in Singapore (see diagram below), where the fund management industry is more mature. Many funds looking to make a name for themselves in this sector want to take advantage of the high growth expected over the next few years in Singapore and the surrounding countries.

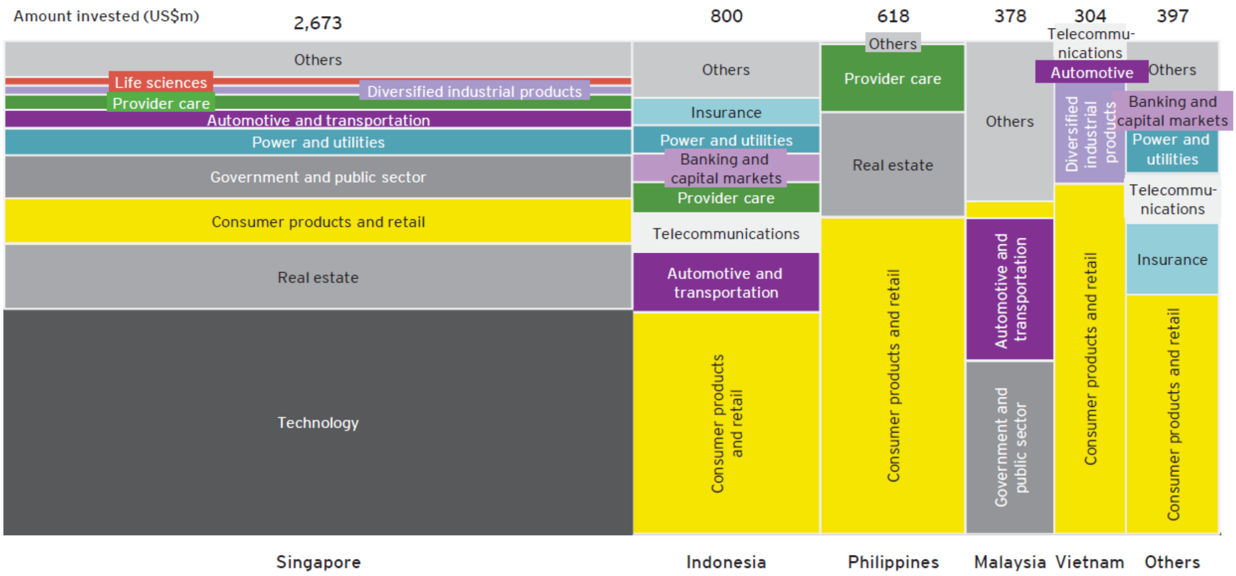
Temasek's exit from STATS ChipPAC Limited in August 2015 was the biggest exit in the region last year, as further detailed below, which demonstrates Singapore's continued dominance among its neighbours in private equity exits.

Singapore's technology prominence is unsurprising given the sector-based incentives on offer for start-ups. Over the past five years, Singapore’s National Research Foundation has pumped US$167 million into early-stage start-ups through various investment schemes, including the Technology Incubation Scheme. Under the Technology Incubation Scheme, the National Research Foundation ("NRF") has co-invested into many start-ups over the years, including some companies which have gone on to see much success, such as Luxola (which has gone on to be acquired by global luxury goods conglomerate, LVMH), and AdzCentral (which has merged with two other ad technology firms to create one of the largest independent Asian programmatic companies).

This is one of the most direct, traceable ways that the government has tried to prop up the emerging tech scene.

Other government agencies are also helping to underwrite a start-up cluster where office space is available for about S$1.50 per square foot per month.

However, Singapore's sometimes heavy regulation and subsidy culture is also discouraging global tech companies from entering the Singapore market. Uber, for example, launched in Singapore in 2013, but currently still trails local leader GrabTaxi, which is more tightly integrated into the existing taxi system.



Unbalanced Global Cybersecurity Market

Singtel has recently announced plans for a 10,000 sq foot cybersecurity training facility in Singapore. The Cyber Security Institute ("CSI") is the first of its kind in Asia Pacific and follows a S$120 million government commitment to info-communications training with an emphasis on cybersecurity. The CEO of Singtel has explained that more than 85% of companies in Singapore do not have robust cyber response plans or the opportunity to test their defences. This lack of cyber preparedness is heightened by the global shortfall of cybersecurity experts, which Forbes estimates to be around 1 million people in 2016. This is certainly a growing market, with Market & Markets forecasting that cybersecurity spending will reach up to US$170 billion in 2020 and cybercrime currently costing corporations up to US$400 billion a year, according to Lloyds of London.

However, for VCs, there is a severe bias towards the US, which has more than 80% of the funding for private cybersecurity start-ups. So, although the CSI is advanced for Asia Pacific, globally it is a relatively late response to an emerging investment segment with long-term credibility.

VC cybersecurity investment strategies do focus on familiar variables such as management pedigree and competitive landscape and there have been notable Asian success stories, including Qihoo 360 Technology which is currently subject to a US$9.3 billion take-private bid.

However, there is a lack of established ecosystem in Asia Pacific that is causing many companies to set up a US office in Silicon Valley in order to increase their chances of funding, demonstrated by a recent US$12 million Series B investment for US-India firm Seclore.

The cybersecurity market is continuing to grow in Asia Pacific and, with the announcement of the creation of the CSI, it seems that Singapore is leading this charge.

As this area is still a very attractive opportunity for investors and with a seemingly endless arms race between companies and criminal hackers there is a drive for start-ups to develop new innovative products. Furthermore the marketability of the space remains in insuring against human error and the natural challenges of managing bigger, more heavily circulated datasets.

Commodity pricing

With the continued downward spiral of commodity prices, interesting opportunities have arisen in the oil and gas sector (together with ancillary services) and a number of other sectors that benefit from low oil prices.

The industrial production sector and consumer sector also top the list of attractive target sectors, particularly with a fast-growing middle class in the region. For more on consumer shopping habits – see below.

Global infrastructure spending is expected to rise in the coming years – from US$4 trillion in 2012 to US$9 trillion in 2025, with a greater percentage in the Asia Pacific region, according to a PwC study.

The ASEAN region alone will need more than US$100 billion every year for the next 10-15 years, a Citi report says. Even in Singapore, the government last year announced a 50 per cent jump in budget to S$30 billion to build infrastructure, including for Changi Airport's new Terminal 5 and improvements to public transport.

Singapore is working to make infrastructure assets mainstream for institutional investors, as a stand-alone asset class separate from traditional debt and equity investments.

In order to overcome a key obstacle for investors in Singapore, the lack of reliable investment benchmarks in private project debt and equity, the EDHEC Business School has launched a new research unit to collect data on infrastructure investments from the market and create these benchmarks.

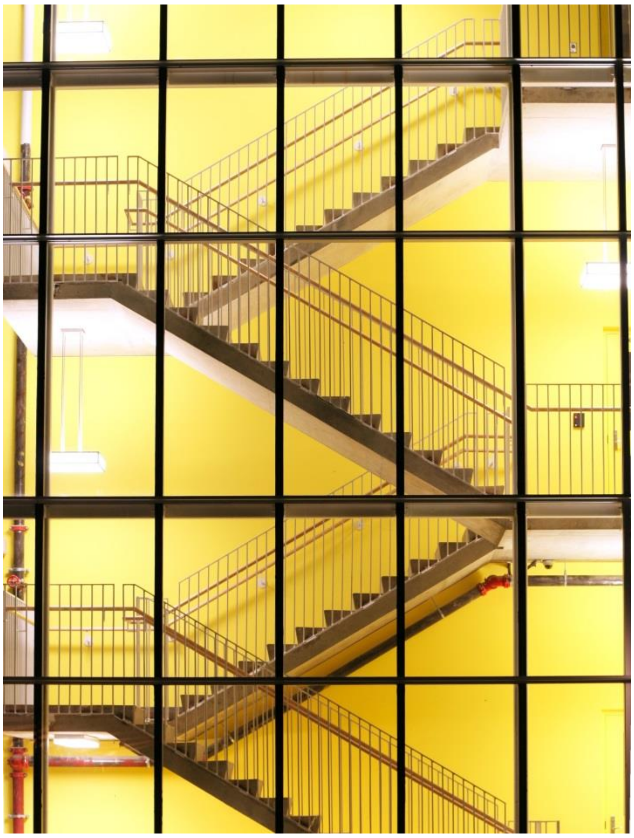
The unit is partly funded by a grant from the Monetary Authority of Singapore ("MAS").

Concerns remain

Competition among investors for key assets remains high, with the ability to source off-market opportunities and create value being key differentiators.

According to a Preqin report from September 2015, private equity firms based in Asia have estimated dry powder (marketable securities that are highly liquid or cash reserves) of US$140 billion, a new high for the region that brings with it the risk of over-valuation of desirable assets.

Investors continue to be wary of regional market volatility and political and regulatory uncertainties, although these concerns are largely avoided in pure Singapore transactions.



Evolution of e-commerce

A historically strong market for many private equity investors in Singapore has been the retail/consumer sector, but recently returns in this market have been falling.

This had led to an ever-growing feeling, amongst both consumers and market analysts, that Singapore's retail market is over-saturated. This concern is definitely not unfounded. There are 103 malls in Singapore, which is one for every 53,000 people living in in the country.

This over-supply is compounded by the criticism that there is little differentiation between the shopping malls, particularly in the luxury goods market. This is not a retail-specific problem for private equity investors, but the results are most clearly visualised with closed-up shop fronts and empty malls.

Even as more shopping malls are being built (CBRE reports that this year, 1.55 million sq ft of retail space will enter the market - 8 per cent higher than last year), many existing malls are struggling to find tenants to fill their units.

While Urban Redevelopment Authority data shows rents have fallen 1.9 per cent in the first quarter of this year, many retailers are not receiving enough footfall to generate the required profit to justify their existing rents.

The issue has been caused largely by changing consumer habits, as more customers chose to shop online. The problem is cyclical: empty and boarded-up spaces give a poor first impression and attract few customers who instead look online for their retail needs. Low footfall is bad news for existing tenants and fails to attract new ones.

One positive area of growth which has been little affected by the e-commerce boom is in the

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food and beverage ("F&B") industry, capitalising on the nation's fondness for food and eating out.

A recent CBRE report shows the proportion of F&B businesses in Singapore malls has risen to an average of between 25 and 30 per cent from 15 to 20 per cent five to 10 years ago.

This alteration in the tenant mix has been well received and other interesting attempts at differentiation can be shown in new-to-market concepts like new indoor snow sports centre, Urban Ski, at Millenia Walk and "immersive experiences" including silent yoga and disco sessions at Mandarin Gallery.

By targeting a specific regular client pool, these malls have increased their ability to bring in compelling tenants to add value to the existing portfolio.

Thus the cyclical problem mentioned above can be reversed: new and different developments re-excite fatigued consumers which then increases footfall and spending.

This is important for private equity houses looking to invest in the retail sector. Whilst the existing "cookie-cutter" tenant mix is in decline, differentiation and flexibility of service may be the keys to growth in this sector.

Furthermore, private equity investors may wish to consider the impact of e-commerce, not just on the retail and luxury goods market, but on other consumer-facing industries, such as healthcare.

As consumers are moving away from the prime-location big city malls towards more diversified, local or online shopping experiences this may well be reflected in other sectors too.

Looking ahead

Promising developments in Fintech

2015 saw a meaningful commitment from Singapore to the Fintech sector both in Singapore and abroad:

Temasek Holdings was part of the US$150 million capital raising by UK-based peer-to-peer lender Funding Circle in April, and in July, the MAS committed S$225 million over the next five years to growing the Fintech segment of the start-up ecosystem in Singapore.

This commitment has continued in 2016, with the MAS collaborating with Singapore's NRF to set up the FinTech Office, which has been tasked with promoting Singapore as a Fintech hub and providing advice to Fintech businesses on Fintech and technology-related government grants and schemes.

In May 2016, MAS also announced the signing of an agreement with the UK's Financial Conduct Authority to set up a "FinTech Bridge", enabling the regulators to refer Fintech firms and investors to their counterparts in each other's market.

To some extent, Asia is playing catch-up with the US, which has dominated investment in Fintech for the past several years.

Generally defined as "the application of technology to the provision of financial services", Fintech is a disruptive technology that is changing the way consumers expect to be able to receive goods and services.

The growth in Fintech has been led primarily by the Internet, increased penetration of smartphone technology and other advancements, including mass data storage, the development of sophisticated algorithms and electronic identification techniques, such as fingerprint technology.

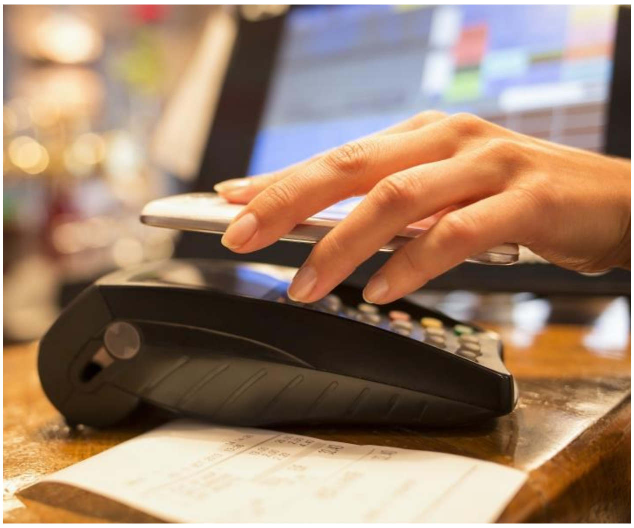
Non-financial groups have marketed their ability to mirror services traditionally offered by financial institutions (such as digital payments, investment services and online lending) thereby increasing competition for banks and other institutions.

IDC Financial Insights Asia Pacific reported in early 2015 that, in response to this competition, innovation would be the focus for Asia Pacific banks in 2015, with many of them allocating up to 25 per cent of their IT budgets on emerging technologies designed to improve operations and services.

One such example is OneTouch™, launched by OCBC in March 2015, leveraging off Apple's Touch ID technology to allow customers easy and quick access to their bank balances using fingerprint recognition.

Similarly, in November 2015, UOB launched Mighty, an app integrating all banking and payment services. DBS has also reportedly made several small investments in the sector, including taking a 10 per cent stake in a voice recognition company spun out from Stanford University's research hub.

Most recently in May 2016, OCBC launched its open application programming interfaces (API) platform, allowing software developers to access OCBC's products and embed them into applications which they develop.



Banks have also increasingly invested in collaborations with Fintech start-ups. In Singapore, DBS and UOB have both set up accelerator programmes for Fintech start-ups while OCBC launched The Open Vault, a Fintech and innovation unit to support Fintech start-ups.

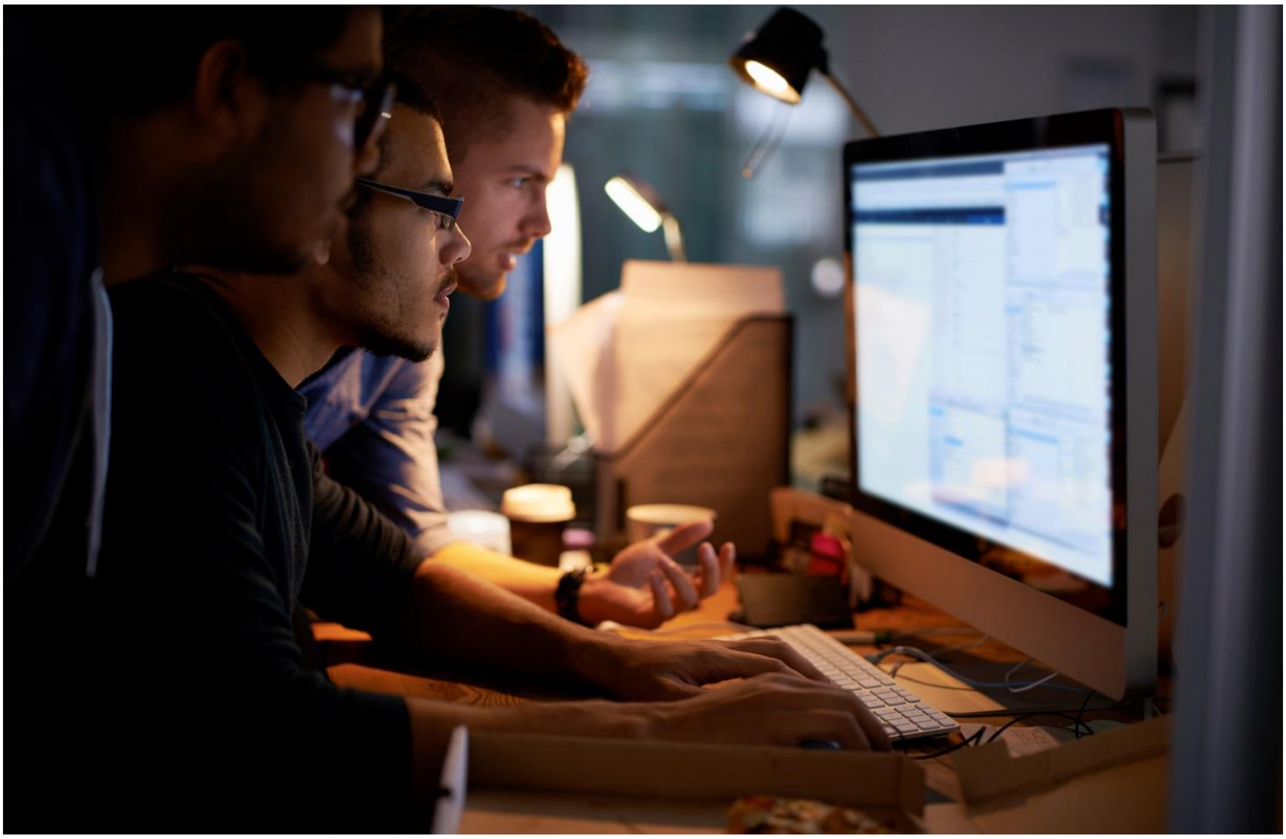
In April 2016, DBS also announced its collaboration with two Fintech start-ups, signing cross-referral agreements with the peer-to-peer lending platforms to expand funding sources available to small businesses. UOB has also pledged to invest US$10 million in Israeli equity crowd-funding platform OurCrowd.

For the exciting development of Fintech in Southeast Asia to continue, it is crucial that businesses looking to develop and invest in the technology in the region have clarity on the regulatory environment and barriers to entry. Existing rules may need to be updated to bring them into line with constantly evolving business practices.

In Singapore, MAS established a new FinTech and Innovation Group in August 2015 with the task of developing regulatory policies and strategies to facilitate the use of technology and innovation to ensure that risks are managed more effectively and to strengthen competitiveness in the financial sector.

In April 2016, the MAS also announced a proposed "regulatory sandbox" approach to Fintech, allowing banks to experiment with innovative products within controlled boundaries. It remains to be seen how this approach will be implemented.

While Fintech models that align closely to more traditional financial services may have a clearer link to existing regulation, those models that go further will need to consider where they fit. The licensing of institutions may well be replaced by specific licences and permits attaching to products and services.



Given the number of jurisdictions and laws prevailing across Southeast Asia, navigating the compliance maze will be challenging, particularly in newly-developing areas for the region.

Particular legal and regulatory risks include:

a) Data protection and cyber security

Illegal data access and processing are real risks that can seriously damage a company's reputation both externally as well as from an employee and customer perspective.

Regional regulation is not always clear; whereas Singapore introduced the Personal Data Protection Act 2012 on a phased basis over 2013 and 2014, Indonesia currently has no comprehensive data protection policy but rather a number of laws that address some but not all issues.

b) Intellectual property protection

The protection of the innovative software being used by Fintech companies will be fundamental to their ability to maintain value and generate investment.

Intellectual property laws in Singapore are well developed and can be enforced, however, in wider Southeast Asia this is not the case.

c) Non-bank currency and derivative trading

The regulatory market for currency and derivative trading by retail customers through non-bank agents is relatively under-developed in certain areas of Southeast Asia.

Encouraging customers to sign up to such products, while remaining compliant with an evolving regulatory regime, will be challenging for new market entrants.

While encouragement for the development of the sector in Singapore is clear, it will take some time for the appropriate regulatory framework across the region to be established in a way that is dynamic enough to keep up with the fast pace of change in the sector.

This will require collaboration between the regulators and the market players themselves.

Threat of terrorism ever present

The threat of terrorism remains high on the agenda, as highlighted by Deputy Prime Minister Teo Chee Hean in a recent interview with Channel NewsAsia.

Mr Teo stressed the threat posed by terrorist activities in the region, saying "we estimate that there’s somewhere between 700 to 1,000 persons who have gone to Syria and Iraq from our part of the world.

Several hundreds, in the high hundreds from Indonesia, low hundreds from Malaysia, and a handful from Singapore and other places. They will return to our region, and that will cause a fairly major security concern for a number of years to come."

However, Mr Teo is keen to stress Singapore's strong social cohesion and security presence, and to contrast this with the situation a number of European countries.

Doing deals in Singapore

Key issues and considerations

Ease of doing business – a winner

Singapore is ranked #1 globally by the World Bank and the International Finance Corporation for ease of doing business and contract enforcement, and second in the world for strength of investor protection thanks to strong performance on the disclosure, liability, suits and protection indices.

Singapore's location in the heart of Southeast Asia, its preferential tax rates and its infrastructure make the tiny country a top destination for businesses looking to expand into the Asia Pacific region.

High operating costs and scarcity of space

Due to Singapore's size, there is not much space to be had despite significant land reclamation projects carried out by the government. As a consequence of this, office space is expensive and sought-after, and companies can expect to pay high salaries (compared to elsewhere in Southeast Asia) to retain the best talent. Be this as it may, there are some innovative office space solutions for start-ups willing to share facilities, as discussed above.

Intellectual Property protection – high on the agenda

Intellectual Property ("IP") is often a key asset of any business and so its protection is understandably of paramount importance, as highlighted in the Fintech discussion above. Singapore ranks very favourably for IP protection: the World Economic Forum ranked Singapore's IP protection regime #4 in its 2015 – 2016 Global Competitiveness Report.

Key legal developments

Changes to the Companies Act (Chapter 50)

Following extensive consultation in 2013, on 8 October 2014 amendments to the Companies Act were passed in Parliament and the Companies (Amendment) Bill No.25 of 2014 was enacted to implement the recommendations of the Steering Committee for the Review of the Companies Act.

The legislative changes took effect in two waves, the first on 1 July 2015, and the second on 3 January 2016. The key changes may be summarised as follows:

a) Abolition of financial assistance

The prohibition on giving financial assistance no longer applies to private companies, meaning a private company is free to provide financial assistance for the purchase of shares in itself and in its private holding company.

This reflects the changes made to the UK Companies Act in 2006, providing greater flexibility and simplifying many corporate transactions, including group re-organisations and leveraged buy-outs.

The changes have rendered the so-called "whitewash procedure" redundant for private companies. Public companies benefit from being permitted to provide financial assistance for the acquisition of their own shares provided that doing so would not materially prejudice the interests of the company, its shareholders or the company's ability to pay its creditors.

In doing so, the directors of the company must deem the terms of the assistance to be fair and reasonable, which is not a decision to be taken lightly and can result in criminal liability.

It is important to note that this does not mean that private companies can simply undertake transactions which previously would have been restricted without thought.

There will still need to be legal and financial analysis relating to the effect of the proposed transaction and directors will still need to consider whether a transaction would be most likely to promote the success of the company for the benefit of its members.

b) Rights of shares

Public unlisted companies now enjoy greater freedom to decide what rights attach to new shares, reflecting the pre-existing regime for private companies under which shares in private companies could be issued with different voting rights.

Subject to certain safeguards, the restriction on public unlisted companies giving only one vote to each equity share has been lifted, allowing public unlisted companies to offer a broader range of voting rights to shareholders.

In addition, both private and public companies may authorise in their constitutions the conversion of one class of share into another class of share.

The intention is to engender greater trust in allowing public companies to manage their shareholders' voting rights as the company sees fit, providing flexibility in raising capital and capital management.

Other jurisdictions such as the UK, US and Australia already have similar regimes in place.

Currently, the MAS and the SGX are considering whether to permit dual-class share structures in the case of listed companies.

c) Changes to proxy voting

Indirect investors, such as those with shareholdings through nominee companies, custodian banks or the Central Provident Fund agent bank, may participate more fully at general meetings by virtue of the appointment by shareholders of multiple proxies.

Previously, the Companies Act only allowed for the appointment of a maximum of two proxies unless a greater number was stipulated in the company's constitution.

It is now the case that companies are not permitted to opt out of this multiple proxy regime and indirect investors have the same rights as direct investors to vote at shareholders' meetings.

d) Wider acceptance of electronic communication

Companies now have greater freedom to use electronic communication as a formal means of communicating with shareholders, provided this mode of communication is stated in the company's constitution.

Both private and unlisted public companies may pass written resolutions by email, as well as send documents and notices to shareholders electronically.

This reform reflects the changing reality of business, with most companies conducting their businesses almost solely through electronic means.

The wider adoption of electronic communication provides flexibility to companies, particularly in allowing resolutions to be passed by email, saving time and process costs.

e) Evidence of ownership

Private companies are no longer obliged to keep a register of members. Instead, ACRA's electronic register is authoritative. A transfer of shares in a private company will therefore not take effect until ACRA's register is updated, the date of filing to be taken as the effective date of entry or removal of a shareholder.

This is in marked contrast to the previous position under which ACRA's register was only as accurate as the information provided by company secretaries or officers to ACRA, and as such, it was the company's register of members that truly reflected legal title to the shares.

This change has eased the administrative burden on private companies and has created a reliable one-stop-shop of online company registers.

f) Changes to foreign companies

Foreign companies in Singapore were previously obliged to appoint a minimum of two authorised representatives (or agents).

Subject to certain safeguards, this requirement has been reduced to one, minimizing the regulatory burden and bringing Singapore in line with the requirements of the UK, Hong Kong, Australia and New Zealand.

The Trans-Pacific Partnership

The Trans-Pacific Partnership (the "TPP") is a comprehensive free trade agreement that sets high standards to govern trade between 12 countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam.

All countries are members of the Asia-Pacific Economic Cooperation (APEC). The TPP was concluded on 5 October 2015 in Atlanta, Georgia, USA, and signed on 4 February 2016 in Auckland, New Zealand. Together these countries account for approximately 40% of global GDP and one-third of world trade, so the TPP has the potential to make a big impact.

The TPP embodies key free-trade principles such as transparency, open competition and limitations on subsidies. Creating such a level playing field for international trade on this scale is very exciting for Singapore and is expected to further encourage international trade and investment.

Although Singapore already has separate free trade agreements in place with 9 of the TPP countries, the TPP as a regional agreement has bettered these by:

(A) strengthening regional production and supply chains, which will ultimately lower costs where goods are produced across several TPP countries;

(B) ensuring transparency and efficiency across trade regulations, making it easier for Singapore businesses to comply with the regulations and to trade efficiently; and

(C) establishing a regional standard with strong anti-bribery and corruption bases and model governance and IP standards that can be used as a base for future free trade agreements.

The TPP is designed for future roll-out to other regional economies that are willing to meet its high standards. This is in line with APEC's vision to achieve a free trade area of the Asia Pacific (FTAAP) in the future.

At the time of writing, the TPP still needs to be ratified by the relevant authorities in each participating country, which may take some time.

The TPP will become effective when at least six parties that collectively account for 85 per cent of GDP across the TPP economies ratify the agreement. This is expected to happen in the next three years although its final form is subject to change.

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