

Asia Monitor October 2018

Notable Developments

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”) is set to come into force on the **30th of December 2018**. This is after Australia became the sixth country to formally ratify the trade deal, crossing the path for the deal to take effect. The **CPTPP brings together 11 nations which represents 13.4% of global GDP** with the aim of reducing trade barriers amongst developed and emerging economies. The **CPTPP is the third largest free trade area globally** and enters at an important time given protectionist measures introduced by the US and China alongside other countries to protect domestic industries.

Sri Lanka

During October 2018, Sri Lanka entered a political crisis after the country’s **President, Maithripala Sirisena**, removed **Prime Minister Wickremesinghe** from office and replaced him with the opposition leader **Mahinda Rajapaksa** (the former president who was ousted in 2015 and subject to investigation for alleged war crimes). President Sirisena accused the former Prime Minister of **large-scale corruption** associated with the privatisation of public companies which took place under Wickremesinghe. Whilst Wickremesinghe tried to rebuff his removal from office by calling for a vote in Parliament, President Sirisena acted quickly to suspend the legislature which dismissed the former Prime Minister’s attempt to stay in office.

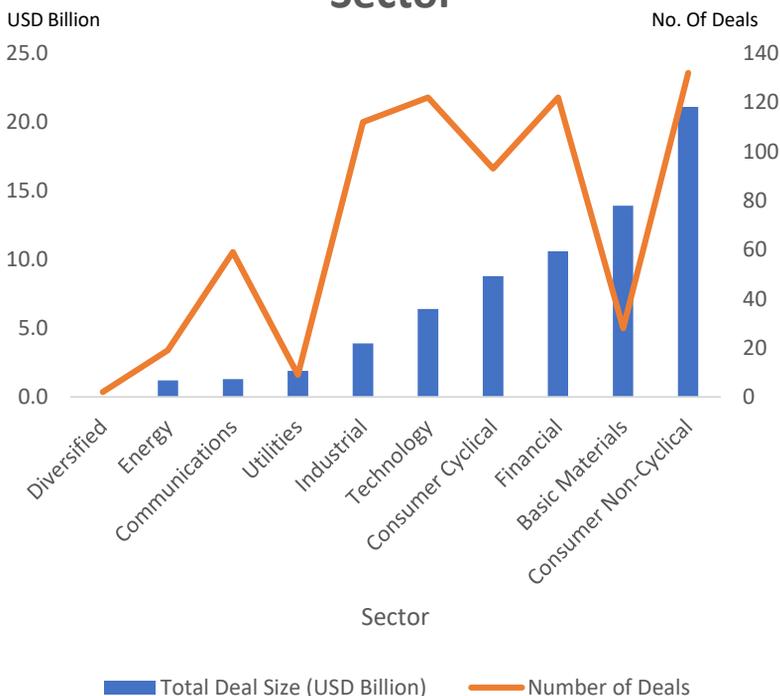
Deal Activity

692 M&A/PE transactions (Source: Bloomberg) were completed in October with a total deal value of **USD68.2 Billion**, compared to September which saw the closing of 646 transactions with an aggregate value of USD61.1 Billion originating from Asia.

Notable transactions completed in September included:

- **GIC Pte Ltd (and others)** acquired 55.0% of **Thomson Reuters Corp.** for USD17.0 Billion.
- **SoftBank Group Corp (and others)** invested USD3.0 Billion in **Beijing Bytedance Technology Co Ltd.**
- **China Evergrande Group** acquired 23.9% of **Xin Jiang Guang Hui Industry Investment Group Co Ltd** for USD973.4MM.

Total Deal Size and Volume by Sector

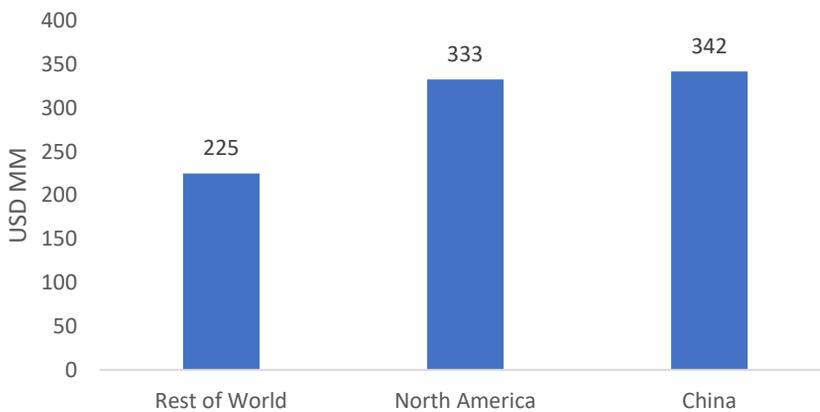


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Focus Industry: eSports

eSports is a growing phenomenon with a **global industry revenue of USD900.0MM** expected to be generated this year. The majority of this revenue comes from China and North America. eSports, which is short for electronic sports, is defined as professional competitive online gaming where competitors play video games while being watched by a live audience. It is estimated that the **number of viewers tuning into eSports events will reach 380.0MM this year with 165.0MM dedicated fans and 215.0MM occasional viewers. The most common eSports video games are those associated with real-time strategy, first-person shooter and fighting games.** Competitors participating in eSports competitions are financially incentivised to win tournaments they participate in. For example, the winners of a 2018 South Korean League of Legends competition won USD843,000. Earnings can be further increased once sponsorship opportunities are taken into account.

Expected Global eSports Revenue (2018)



Source: Newzoo

Southeast Asia is the industry's fastest growing region with an anticipated **CAGR of 36.0% between 2015 and 2019 resulting in 19.8MM gamers.** Malaysia has announced its intention to construct the first eSports hub in the region akin to an Olympic Village. The hub will have facilities for competitions, education and accommodation with the aim of creating an eSports ecosystem in the country. In particular, the **Chinese eSports market** is expected to reach **350.0MM users and generate USD1.5Bn in revenues by 2020.**

Industry growth is expected to be hindered by several factors; one factor is the **cultural acceptance of competitive gaming** in Asia. Competitive gaming is unlikely to be accepted in the region as it may be considered a frivolous activity by society who are of the opinion that it has no meaningful benefit. The stigma associated with competitive gaming can be changed through campaigns by eSports participants to educate the public about the merits of the game. A second factor is the current **lack of infrastructure and hardware investment** to support participants of eSports. The sport currently has little regulation and no central body to govern the game. The lack of a central governing body is a concern for the International Olympics Committee ("IOC") who are unlikely to include eSports in the Olympics until it has a central body, which is inline with IOC rules, regulations and values.

Investment Manager Commentary

- Whilst the United States may have withdrawn from the CPTPP's predecessor, those countries seeking to pursue a liberalist agenda have signaled that they will not alter their policies to appease the US Government. The introduction of the CPTPP comes at a critical juncture given the rise of nationalist governments globally, which is seen as a threat to free trade and economic prosperity. That being said, several countries have expressed an interest in becoming a signatory of the CPTPP including the United Kingdom and South Korea. Accession talks for new members who have expressed an interest to join the partnership are due to begin in 2019.
- eSports is becoming increasingly popular amongst investors and at the moment, a number of eSports teams/clubs are sponsored by high net wealth individuals, celebrities and institutions. Governments in Asia, such as in South Korea, have started to provide financial support to the industry and view it as one of the next key economy growth drivers. We have seen a number of training camps and courses open to train serious gamers to become professional players; we believe that the number of education facilities will only increase as the sport becomes more widely acknowledged by society. If countries are able to invest in building the required infrastructure for eSports, we believe this will result in significant economic benefits.

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