

Asian Investment Monitor November 2017

Overview

Asia Pacific Economic Cooperation

November witnessed the agreement of a new regional trade pact between eleven countries including Australia, Japan and Malaysia aimed at removing conditions set by the USA who withdrew from the Trans-Pacific Partnership (“TPP”) in January. The new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CTPP”) has removed 20 provisions which were previously required by the USA with the new CTPP agreement remaining broadly the same as the TPP agreement. The CTPP will further encourage free trade between participants with the eventual goal of reducing existing tariffs to nil. The 11 countries agreeing to the new CTPP pact are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

South Korea

Towards the end of the month, the Bank of Korea’s Monetary Policy Board voted 6-1 to raise interest rates to 1.50% ending a five year period of record low rates of 1.25% as a growing export market contributes to the country’s economic growth. Furthermore, Korea’s hike in interest rates could signal a trend in the region with other central banks also raising their rates.

Deal Activity

During this month there were 728 M&A/PE transactions (Bloomberg) completed with a deal value of USD92.4 Billion originating from the region in comparison to October 2017’s metrics with 742 transactions with a value of USD55.8 Billion closed. Selected key transactions during November include:

- China United Network Communications acquired 21.2% of China Unicom Hong Kong for USD32.0 Billion.
- HNA Group Co acquired a 25.0% stake in OM Asset Management at a cost of USD426.0MM.
- Tencent Holdings Ltd acquired an undisclosed amount in Beijing Cat Eye Culture Media Co Ltd for USD151.0MM.

Focus Industry: Food and Beverage

Japan’s Suntory and PepsiCo have entered into a joint venture in Thailand to capitalise on growth opportunities in the country. Suntory will take a 51.0% ownership in Suntory PepsiCo Beverage, which was previously PepsiCo’s Thailand business. The remaining 49.0% will be held by PepsiCo. This joint venture is part of Suntory’s global strategy as it looks to expand its F&B business across Asia Pacific and a partnership with PepsiCo which has an established ground presence in Singapore should help to achieve this.

Nissin Foods Co Ltd, the instant noodle division of Japanese Nissin Foods Holding Co Ltd, is in the process of undertaking an initial public offering on the Hong Kong Stock Exchange aiming to raise up to USD145.0MM. Nissin Foods Co Ltd is proposing to offer 269.0MM shares with 10.0% being targeted for retail investors at a price of HKD3.45 to HKD4.21 per share. The company expects to start trading on the 11th of December 2017.

Alibaba acquired 36.2% of Sun Art Retail Group for USD2.9 Billion as it looks to enter the supermarket business in China. Sun Art Retail Group, a Hong Kong listed company, operates over 400 supermarkets in 224 cities in China. This investment is part of Alibaba’s offline strategy.

Completion Date	Target	Target Country	Acquirer	Acquirer Country	Transaction Value (USD MM)	Transaction Value to EBITDA	Transaction Value to Revenue
2 nd November	Shenzhen Yiming United Food Co	China	Shenzhen Gingko Gofar Asset Management	China	8.0	-	-
13 th November	Orion Corp	Korea	Orion Holdings Corp	Korea	842.1	-	-
15 th November	Wuxi Super Food Technology Co Ltd	China	Super Continental Pte Ltd	Singapore	9.9	-	-

Investment Manager Commentary

- The CTPP Agreement has shown the willingness of countries to move forward without the USA which may lead to a new approach being taken in Washington as the American government is playing catch-up due to the vacuum in its trade policy. We expect that Asian countries will be less incentivised to sign one-one-one trade deals with the Trump Administration if the CTPP can be successfully implemented.
- Alibaba’s minority stake in Sun Art Retail Group has drawn comparisons between Amazon’s acquisition of Whole Foods in June, although Alibaba began its offline strategy several years prior to this acquisition. It will be interesting to see how Alibaba integrate their online and offline presence, however it can be certain that Alibaba will have access to a significant pool of consumer data which can be used to improve customer experience and tailor advertisements towards individual customer needs.

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