

**Asia Private Equity Forum 2013**  
**Hong Kong Venture Capital and Private Equity Association**

**Media Coverage**  
**14-17 January 2013**

## Summary

- **RTHK** conducted an interview with the Chairman of Hong Kong Venture Capital and Private Equity Association David Pierce and CEO of Squadron Capital, to discuss what private equity investors will be looking at in 2013.
  - Pierce believes that the pressing concern for industry players is how they can secure exits and returns from Asia investments.
  - Pierce adds that by helping businesses develop other resources capabilities, the institutionalization process is what private equity investors can help companies grow.
- **Hong Kong Commercial Daily, ET Net, Metro Radio** and **RTHK** reported that John Tsang gave an opening remark at the Asia Private Equity Forum 2013 yesterday.
  - Tsang said that Hong Kong shall continue to play a leading role in promoting Renminbi offshore business.
  - He also said that the government is working on amending the trust law and is expecting to introduce the Amendment Bill into the Legislative Council shortly.
  - He noted that the combined fund management business in Hong Kong amounted to some USD1.2 trillion in 2011. Hong Kong also accounted for about 12% of the Asian total in terms of total private equity funds raised in the first half of 2012, second only to Mainland China.
- **The Nation** reported that foreign private-equity investors remain cautious over Thailand's political stability and say the increased minimum daily wage will lead to consolidation of businesses.
  - At the Asia Private Equity Forum in Hong Kong yesterday, investors expressed concern that political stability in the Kingdom could create frustrations over the next five years. However, they see great potential in the Thai market in such sectors as food processing and manufacturing, while selected businesses such as media also remain attractive.
- **Business Times Singapore** reported that the good times continue to roll in South-east Asian private equity, even as its Chinese counterpart nurses a hangover that may worsen following the excesses of previous years.
  - Industry players at the Asia Private Equity Forum in Hong Kong yesterday

were upbeat on the resurgence of interest in South-east Asia, now seen as a safer harbour for venture capital and private equity investment, compared with the turbulence of the less mature market on the mainland.

- **Private Equity International** reported that China's deals, exits and fundraising have been disappointing, but panelists at the HKVCA Asia Private Equity Forum agreed that the downs are necessary for the industry to evolve.
- As GPs and LPs refocus time and resources on Southeast Asia, finding management talent is more of a concern than high valuations, according to a Southeast Asia panel at the 2013 HKVCA Forum in Hong Kong. The news was reported by **Private Equity International** in a separate article.

**Full Article**

**Asia Private Equity Forum**

RTHK

14 January 2013

<http://programme.rthk.hk/channel/radio/programme.php?name=radio3/hongkongtoday&d=2013-01-14&p=513&e=&m=episode>

Andrew Wood from RTHK asks the Chairman of Hong Kong Venture Capital and Private Equity Association David Pierce, who's also the CEO of Squadron Capital, to discuss what private equity investors will be looking at in 2013.

Looking ahead in 2013, Pierce believes that the pressing concern for industry players is how they can secure exits and returns from Asia investments.

Pierce adds that by helping businesses develop other resources capabilities, the institutionalization process is what private equity investors can help companies grow.

## Global economy shifts to East; DBS: Hong Kong needs to increase channels of Renminbi usage (環球經濟重心將東移 星展：港需增人民幣使用渠道)

Hong Kong Commercial Daily

17 January 2013

【香港商報訊】記者陳薇、李逸嘉報道：市場關注外圍經濟，財政司司長曾俊華昨日出席私募基金論壇活動時表示，歐美經濟前景未明，預計全球經濟重心將轉移到亞洲。他又說，香港將會繼續發展人民幣業務。另外，中國證監會主席郭樹清昨日表示，國債期貨的模擬交易順暢，預計將於不久后正式推出。

財政司司長曾俊華表示，由於歐美經濟前景未明，預計環球經濟重心將會東移至亞洲及泛亞太洋地區。他又表示，香港將會繼續發展人民幣業務，去年本港人民幣產品達 700 億元，是 2011 年的兩倍。

### 本港私募基金規模僅次內地

曾俊華又表示，香港管理的基金規模達 1.2 萬億美元，當中逾一半是投資香港和內地市場；而去年上半年，本港私募基金管理資金規模按年升 9% 至 4100 億美元。本港去年有 370 間私募基金，九成於本港設地區總部，而本港私募基金規模占亞洲一成二，僅次於內地。

他又指，政府將提交信託條例修訂予立法會討論，本港過去已與合作夥伴簽訂 26 項免雙重徵稅協議，相信未來會簽訂更多類似協議。

此外，郭樹清昨日出席中國經濟學人論壇時表示，國債期貨的模擬交易順暢，預計將於不久后正式推出。郭樹清又說，上市公司退市設置過渡期后，不知道今年最后有多少家公司退市，中證監並沒有設定目標。另外，星展銀行董事總經理兼企業及機構銀行總監張建生昨表示，本港有需要增加人民幣使用渠道。之前人民幣以流入香港為多，主要來自於貿易行業。而 RQFII 令人民幣流出香港，可改善貨幣流通性，促使人民幣國際化健康發展。

### 港企對人民幣需求有增加趨勢

星展調查報告顯示，港企對人民幣的需求有逐步增加的趨勢。在有使用貿易結算服務的企業中，有 9% 表示過去 12 個月曾經以人民幣結算，而 26% 正考慮在未來 12 個月采用人民幣作為結算貨幣。另外，目前有超過一半（57%）的企業表示沒有以人民幣結算的業務，不過部分企業主會開始轉用人民幣結算，這個比例會在未來一年預計會下降到四

成。

雖然市場關注人民幣融資的前景，但是星展報告指未有受訪企業在過去一年用人民幣融資。80%的受訪企業表示，在未來 12 個月不太可能或者不會申請人民幣融資，55%的相同受訪企業未能評價人民幣融資產品是否足夠，顯示香港企業對這一領域的認知不足。

星展分析，香港銀行的人民幣貸款落后於人民幣離岸發展的其他領域。考慮到放寬人民幣貸款的限制、以及跨境借貸活動的規模越來越大，預期人民幣融資的需求可望顯著提升。

**John Tsang: Hong Kong shall continue to play a leading role in promoting offshore Renminbi business; shall amend trust law (曾俊華：香港繼續成為人民幣國際化試點，將修訂信託條例)**

ET Net

16 January 2013

《經濟通通訊社16日專訊》財政司司長曾俊華出席亞洲私募基金論壇時表示，香港資金自由流動，擁有良好法治，將支持香港繼續成為人民幣國際化的試點。香港積極發展人民幣債券、投資工具及產品等，去年人民幣產品規模達700億元人民幣，較2011年底上升約一倍。

他指出，內地「十二五」規劃將繼續支持香港成為財富管理的中心，經濟重心將向東移，因歐美等國造就不明朗因素困擾，自身經濟面對困難。他表示，香港整體基金規模達1.2萬億美元，私募基金管理規模達4100億美元。另外，香港有370間私募基金，當中90%於香港設置總部，另外，香港所管理的私募基金總額佔亞洲12%，僅排名於中國之後。

曾俊華又指，信託條例的修訂案會於短期內提交立法會，進一步提升香港的競爭力。另外，港府亦與26個地方達成免除雙重徵稅協議，並將會於有關方面繼續商討。(v c)

**John Tsang says Hong Kong's size of private equity industry is second only to Mainland China (曾俊華指港私募基金規模於亞洲僅次內地)**

Metro Radio

16 January 2013

財政司司長曾俊華出席論壇致辭時表示,全球經濟重心移到亞洲,亞洲區成為經濟增長快速地區,本港去年基金規模達 1 萬 2000 億美元,當中超過一半投資於內地及本港.截至去年六月,私募基金規模達 4100 億美元,半年間增長百分之 9;本港去年有 370 間私募基金,九成於本港設地區總部,而本港私募基金規模佔亞洲一成二,僅次於內地.

他又指,本港會積極發展人民幣及財富管理業務,去年人民幣產品總額達 700 億元人民幣,按年增長兩倍,政府會繼續推動本港成為國際金融平台.

**John Tsang: Hong Kong shall continue to promoting Renminbi offshore business (曾俊華：香港續發展人民幣業務)**

RTHK

16 January 2013

財政司司長曾俊華表示，由於歐美經濟前景未明，預計環球經濟重心將會東移至亞洲及泛亞太洋地區。他又表示，香港將會繼續發展人民幣業務，去年本港人民幣產品達 700 億元，是 2011 年的兩倍。

曾俊華出席一個私募基金的論壇時表示，香港管理的基金規模達 1.2 萬億美元，當中逾一半是投資香港和內地市場；而去年上半年，本港私募基金管理資金規模按年升 9% 至 4100 億美元。

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## **Stability, consolidations concerns for investors**

The Nation

17 January 2013

Foreign private-equity investors remain cautious over Thailand's political stability and say the increased minimum daily wage will lead to consolidation of businesses.

At the Asia **Private Equity Forum** in Hong Kong yesterday, investors expressed concern that political stability in the Kingdom could create frustrations over the next five years. However, they see great potential in the Thai market in such sectors as food processing and manufacturing, while selected businesses such as media also remain attractive.

Lew Oon Yew, the managing partner and co-founder of Proventeus Capital, said the increase in the minimum wage to Bt300 per day would lead to consolidations and was favourable to the private-equity business.

However, Lew said that while the higher minimum appeared to be putting more money into the pockets of workers, there were consequences to be faced.

"Small businesses are not likely to be able to survive, because the whole business model of small companies hinges on extremely low costs. By doing this you are essentially driving small businesses out."

The Asean region has seen a resurgence of business in the private-equity segment since the 1997 financial crisis. Jared Lim Chih Li, the managing director of Asiasons Capital, sees the region's gross domestic product growing by 5-6 per cent annually over the next five to 10 years with its strengthening domestic demand and large, young workforce.

Meanwhile, to relieve the impact from the higher minimum wage, the Commerce Ministry has launched a plan to help small and medium-sized enterprises trade and invest more in Asean countries. t0.000After chaired the nine decades anniversary of the Business Development Department, ??t-2.000

Commerce Minister Boonsong Teriyapirom said the Asean Economic Community would be a key factor strengthening SMEs.

He added that Thai enterprises needed to adjust to rising labour costs by trading with and investing in other Asean markets.

The Ministry of Industry said yesterday that in at least 62 provinces, no business had yet closed solely because of the new Bt300 minimum wage.

Witoon Simachokedee, permanent secretary of the ministry, said it would take about three months for any such impact to be seen.

The rate of factory closures is normal, he said.

## **Private equity booms in SE-A, falters in China**

Business Times Singapore

17 January 2013

THE good times continue to roll in South-east Asian private equity, even as its Chinese counterpart nurses a hangover that may worsen following the excesses of previous years.

Industry players at the Asia **Private Equity Forum** in Hong Kong yesterday were upbeat on the resurgence of interest in South-east Asia, now seen as a safer harbour for venture capital and private equity investment, compared with the turbulence of the less mature market on the mainland.

"The South-east Asian market is huge ... it presents a meaningful alternative to limited partners that are considering investing in Asia beyond China and India, especially given the slowdown that is occurring in those two big markets," said Hendrik Susanto, managing director of Ancora Capital.

Private equity insiders view South-east Asia as a region that is ripe with bargain opportunities, from family businesses crippled by infighting to global conglomerates wanting to spin off their Asian units. "This is a rising tide that is here to stay for the next five to 10 years," said Jared Lim, managing director of Asiasons Capital.

The consumer sector has become particularly appealing in the region, as domestic demand ramps up in markets such as Indonesia, the current darling of private equity with its burgeoning middle class.

China, in contrast, is entering a year that threatens to be even worse, plagued by market inefficiencies, governance issues and a clogged listing pipeline, according to Zhang Yichen, chief executive officer of Citic Capital. "Fund-raising has never been tougher. The market is going through a major adjustment right now. The total amount being raised is down about 35 per cent," Mr Zhang said.

The ability to sell out of investments, which is the end-game for private equity players, has been hobbled significantly in China now that a popular exit channel - initial public offerings (IPOs) - has narrowed.

Domestically, the backlog for regulatory approval of IPO listings stands at about 800-900 companies, Mr Zhang said. In 2012, there were only 154 IPOs in the mainland, 127 fewer than in 2011.

At the same time, the United States, another popular IPO listing destination, is wary of Chinese counters in the wake of the accounting issues raised by short-seller research firm Muddy Waters.

"(This has) stopped the US market from becoming a viable exit channel for Chinese firms," Mr Zhang noted.

As IPO prospects dim for private equity players in China, they are brightening in Singapore, which has become the base of choice for funds seeking to expand in South-east Asia, said Asiasons' Mr Lim.

"We're doing a portfolio of companies which we're trying to get listed in Singapore for that South-east Asian prestige, and then use that platform to expand into the rest of the region," he told The Business Times.

"We're looking at a couple of buyout opportunities in Singapore, and there are some really great medium-sized companies that have transformed themselves into truly regional South-east Asian companies. Most of them have some sort of reach into China as well."

While valuations might have gone up in Indonesia, it is still possible to find good bargains in the region, Mr Lim said.

"For a small-to-medium deal, we're still able to get pricing at six to eight times earnings before interest, taxes, depreciation and amortisation (Ebitda)," he said.

The region does not come without its own set of trials. Funds in Malaysia, Indonesia and Thailand face intermittent political uncertainty, some in the industry pointed out, but Patrick Walujo, managing partner of Indonesia-focused Northstar Equity Partners, remains unfazed.

"The system is there to safeguard the government. So far, we have survived every single political transition," he said.

## **HKVCA Forum: China PE facing tough times**

Private Equity International

16 January 2013

China's deals, exits and fundraising have been disappointing, but panelists at the HKVCA Asia **Private Equity Forum** agreed that the downs are necessary for the industry to evolve.

Right now may be "one of the toughest times for private equity in China", CITIC Capital chief executive officer Yichen Zhang told the Hong Kong Venture Capital Association Asia **Private Equity Forum** today. The country's deals, exits and fundraising totals were all down substantially in 2012. Zhang said that many GPs promised unrealistic returns in too short a time frame because they relied on the IPO market as the driver of growth. With the IPO window virtually closed, Zhang predicted that investors will begin to be more demanding on how their money will be repaid, and the pressure on GPs will only increase. "The worst is yet to come," he said. Over the next two to three years, he believes that 80 percent of the smaller firms in China will not survive. "The question is, will they come back?" Zhang wondered. "In China, these lessons are never learned the first time." Part of the problem, he said, is that the industry grew too quickly. Private equity went from next to nothing ten years ago to being a household phrase by 2010, he said in his keynote speech. Indeed, some estimates put the number of GPs in China at 10,000 – more than twice the 4,000 that Cambridge Associates keeps track of in the rest of the world. Unfortunately, that just meant that too much money was being passed around while the market was still immature – the pool of LPs didn't fully understand the nature of a private equity investment, GPs took a short-term view on investments and returns, and go-betweens like placement agents and funds of funds were few in number. "The reasons for the downturn were built in from the beginning," Zhang said. The cause of China's downturn is both structural and cyclical, according to Terry Hu, managing director at FountainVest Partners. Investors "placed too much hope on growth", and in that mindset didn't focus on the companies' needs for operational changes, he said on a Forum panel. CITIC Private Equity Funds Management president Yibing Wu pointed out that the Chinese private equity industry had similar problems in 2009, with LPs not being faithful to their capital commitments and many existing GPs who actually shouldn't be GPs. "These times are hard, but in the end they make the industry healthier," Wu said. In fact, he said that his expectation is that the

current downward trends will make the private equity industry in China more institutionalised.

## **HKVCA Forum: Firms justify SE Asia valuations**

Private Equity International

17 January 2013

As GPs and LPs refocus time and resources on Southeast Asia, finding management talent is more of a concern than high valuations, according to a Southeast Asia panel at the 2013 HKVCA Forum in Hong Kong.

“The next ten years will be a Southeast Asia play,” Datuk Jared Lim Chih Li, managing partner of Asiasons Capital, said on a panel of Southeast Asia-focused GPs at the HKVCA Asia **Private Equity Forum**. He said that there will be “serious opportunities” springing from the consumer, resources and infrastructure sectors in Southeast Asia. Due to its popularity, valuations in the region, in particular Indonesia, remain expensive. Industry sources have previously said firms have paid up to 20x EBITDA for Indonesian businesses. That's an extreme example, but panelists agreed that higher valuations generally are understandable. Patrick Walujo, co-founder and managing partner of Northstar Equity Partners said, “the consumer sector is so expensive because the growth is there.” Li agreed saying, “the growth is there, the market is there.” He explained Asiasons owns casual restaurant chain TGI Fridays, which recently opened its first location in Jakarta. “The sales that we saw in the first two weekends was the largest amount for any TGI Fridays in Southeast Asia.” Valuations are therefore not GPs’ biggest concern. Li continued, “We do find Indonesia expensive [relative to other Southeast Asian countries], but if you look at small- and medium-sized deals, you can still get them at 6x-8x EBITDA, and these are decent, middle-sized companies.” “The most challenging part of doing business in Southeast Asia is talent,” Northstar’s Walujo explained. “No matter how much you want to pay, those people just aren’t available. So we tend to shy away from industries where expertise is not available.” Walujo said finding talented management teams is a critical part of investing in Southeast Asia. “We are highly invested in the infrastructure of our organisation, making sure that we have the people and the ability to affect the operations of these businesses.”