asean insiders special edition

AUGUST 2017

M&A Trends in the Pacific

ZICO | law

Introduction

In early 2016, the ASEAN Economic Community ("AEC") was established, the Trans-Pacific Partnership Agreement ("TPPA") had just been signed, and there was anticipation that China-ASEAN would soon realise the Regional Comprehensive Economic Partnership ("RCEP"). Excitement was in the air. Fast forward to mid-2017, the world saw Brexit, TPPA laid to rest for the time being, and China marching forward with its One Belt One Road ("OBOR") initiative which some have described as "game-changing".

With these winds of change, what lies ahead for ASEAN and its mergers and acquisitions space?

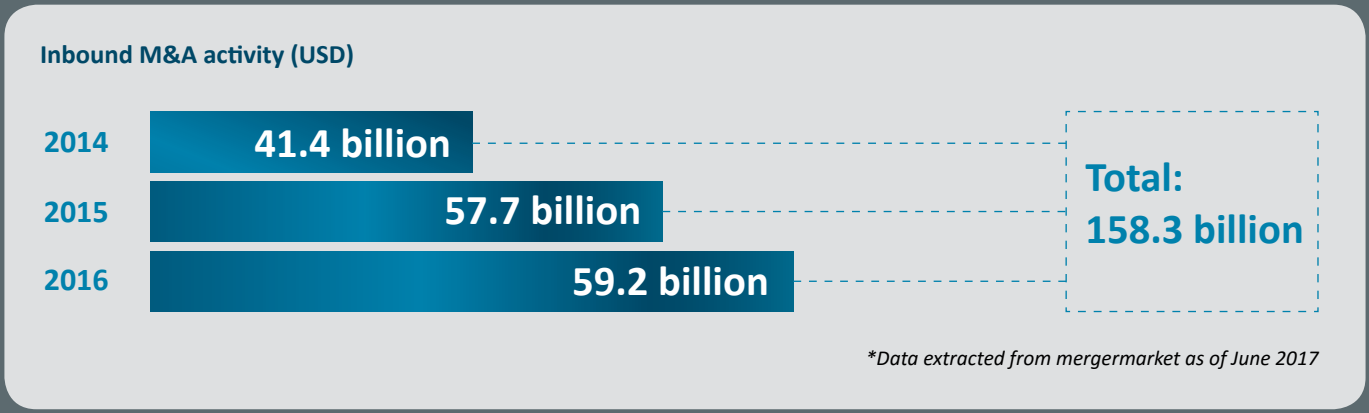
Historically, ASEAN has long been the centre of attention for many powerhouses including some of Asia's biggest economies, the United States, and Europe. In their efforts to realise AEC's vision of an ASEAN-single market and to prepare for the implementation of TPPA, member nations stepped up their efforts, at varying degrees, to enhance living, working and business conditions to be in line with global standards, while also harmonising rules relating to the free movement of goods, services, people and capital. TPPA's future is now uncertain due to the withdrawal of the US but some ASEAN countries will march on and embrace the change with or without TPPA in order to stay competitive. In the meantime, as the US dollar remains relatively strong, valuations across ASEAN continue to be attractive for investors. In the geostrategic contest between the US and China over the Western Pacific and freedom of navigation, it also makes sense for both sides to continue to secure influence and friendship in the region through investments. There may also be an unintended European Union pivot towards Asia as a reaction to the current US administration. As such, it is not surprising that even as TPPA is buried, investments continue to flow into the region.

Setting aside macroeconomic and geopolitical considerations, one should remember that some nation states of ASEAN have long participated in trade and investments and are worth considering on a stand-alone basis. ASEAN boasts members with diverse historical, ethnic, religious, racial, political, and legal backgrounds. The biggest Islamic and Buddhist populations in the world are in ASEAN with elements of Hinduism among others, in between. Some countries adopt the common law regime while others adopt the civil law, hybrid or modified regimes. There is rich historical connection with former colonial powers. The costs and complexities of doing business and regulations vary from country to country.

Diversity offers opportunities for international businesses to assist the region to develop which will result in better business and consumer consumption in the future. ASEAN diplomatic relationships have thus far been largely pragmatic which provides continuing stability in this region.

Doing business all across ASEAN is not only possible, but enticing by virtue of myriad investment policies that promote development and investment in priority sectors that are different for each individual state. The uniqueness of each ASEAN member gives investors options and there have also been increasing efforts to reform and ease the doing of business in some countries.

International businesses appear to have taken note of the macroconsiderations and ASEAN's inherent attractiveness. Inbound investments into ASEAN have remained robust.



As the region grows and matures, its leading economies are also reaching out, contributing to global M&A. Therefore, this publication looks not only at the M&A opportunities and insights of each ASEAN member state in which we at ZICO Law have a presence, but also other jurisdictions in the Pacific that have played and continue to play a pivotal role in ASEAN's M&A market place.

We hope that a journey through this Special Edition ASEAN Insider on M&A trends in the Pacific will highlight what's hot in each of the jurisdictions addressed here, giving you a useful glimpse of your business options here in ASEAN and the Pacific.

We especially wish to thank the participating firms, who were largely also participants in our Kuala Lumpur Inter-Pacific Bar Association Roundtable on Mergers & Acquisitions in 2016, for their invaluable contribution towards this publication.

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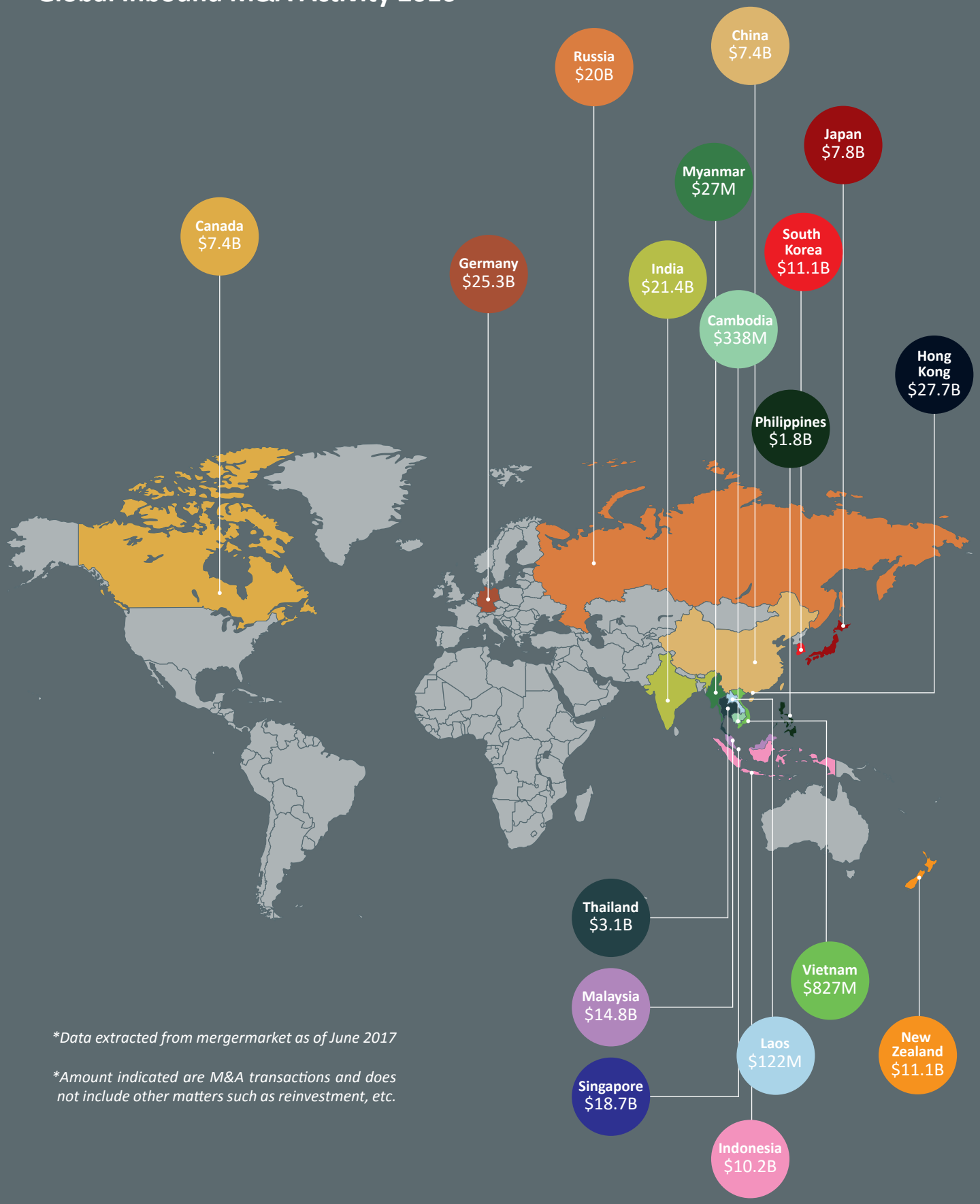
Global Inbound M&A Activity 2016



*Data extracted from mergermarket as of June 2017

*Amount indicated are M&A transactions and does not include other matters such as reinvestment, etc.

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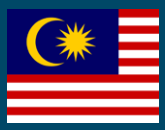
ASEAN Countries

Malaysia



Most active industries	Most encouraged industries	Common acquisition structures
• Financial services • Consumer • Technology • Leisure • Industrial & Chemicals	• Financial services • Wholesale and retail • Information Communication and Technology • Halal services • Tourism	• Acquisition of shares • Acquisition of business or assets • Joint venture (either unincorporated or incorporated) • Take-over of public listed company *Note: Nominee structures that circumvent laws or public policy are void*

Investment Incentives	• Tourism: Tax incentives, capital allowances and pioneer status • Information Communication and Technology ("ICT"): Government granting 'MSC Malaysia Status' for ICT and ICT-facilitated businesses that, among others, develop or use multimedia technologies • ICT: For 'MSC Malaysia Status' companies > research and development grants, tax incentives and no restriction on number of foreign knowledge workers approved under Tier 1 and Tier 2 categories • Halal industry: Facilitating the growth of the Malaysian halal industry by initiating Halal Parks, i.e. communities consisting of halal-oriented manufacturing and service businesses built on common property • Halal industry: tax incentives (income tax exemption, import duty and sales tax exemption) Government facilities, i.e. setting up of a "Regulatory Sandbox" environment to encourage FinTech experiments • Financial services: 100% income tax exemption for licensed Islamic banks and financial institutions operating Islamic banking businesses or takaful businesses transacted in foreign currencies • Financial services: 100% stamp duty exemption on instruments executed pertaining to Islamic banking and takaful activities transacted in foreign currencies
Foreign Equity Restrictions	**Tourism** • Foreign shareholding in companies which conduct inbound and travel agency (ticketing) businesses cannot exceed 30% of its total shareholding • No equity restriction on tourism services such as theme parks and convention and exhibition centres with a seating capacity exceeding 3,000 **ICT** • No foreign equity restriction for information communication technology related services **Financial services** • Foreign equity in Malaysian incorporated Islamic banks, investment banks, insurance companies and takaful operators cannot exceed 70% and remains at 30% for domestic commercial banks **Wholesale and Retail** • Generally, there are foreign equity restrictions on many wholesale and retail activities such as hypermarkets. 100% foreign equity is allowed for activities such as departmental stores, specialty stores and franchises • Foreign participation is not allowed for activities such as fuel stations and mini-markets
Licensing Requirements	Licensing pertaining to active / encouraged industries is required for the following sectors by the following regulators — • Tourism (regulated by the Ministry of Tourism and Culture Malaysia) • Halal services (certification and regulation of this industry is carried out by the Halal Industry Development Corporation) • Banking and financing services (regulated by the Central Bank of Malaysia) • Wholesale and retail (regulated by the Ministry of Domestic Trade, Consumerism and Cooperatives)
Dealing with Local Regulators	The Malaysian government encourages foreign direct investments into Malaysia and has pro-investment policies and plans such as the Eleventh Malaysia Plan and the Economic Transformation Program. The authorities and regulators are generally helpful in their dealings and conducting business is relatively uncomplicated.

Reforms

The new Companies Act 2016 came into force on 31 January 2017. To facilitate the ease of doing business, several measures, among others, have been introduced:

i. Companies can now have 1 director and 1 shareholder, subject to any licensing requirement;
ii. There is no need to undertake an annual general meeting with respect to a private limited company;
iii. Pro-rata issuance of shares no longer requires shareholder approval;
iv. There can be different distribution weightage with respect to the same class of shares if provided for in the constitution of the company;
v. By default, no constitution is required and shareholders' relationship is regulated by the Companies Act 2016;
vi. There is now expanded use of treasury shares;
vii. For public listed companies, share buybacks can now be effected through off-market transactions;
viii. Capital reduction and selective capital reduction can now be undertaken without obtaining a court order;
ix. Deemed interest in associated companies have been increased from 15% to 20%;
x. Shareholders are now allowed to, subject to constitutional provisions, make binding recommendations to the board as long as it is in the best interest of the company; and
xi. Limited financial assistance is now permitted for private limited companies and if the assistance does not exceed 10% of shareholder funds.

There have also been reforms pursuant to the Malaysian Code on Take-overs and Mergers 2016:

i. Transactions outside the acceptances process have been limited including clarification of treatment of various types of favoured deals;
ii. There is now a procedure for competitive bids;
iii. More flexibility now for small band trading such that it does not trigger a mandatory general offer with respect to the 2% creeping rule;
iv. Certain transactions no longer require seeking mandatory offer exemptions – the takeover code is expressly disapplied to them;
v. Criteria for allowing for partial offer is now clarified; and
vi. Rule-making framework has been restructured to allow for the Securities Commission of Malaysia to become more nimble to changing capital market landscape.

Other capital market reforms:

i. Between early 2015 and mid-2016, Malaysia became the first ASEAN country regulating equity crowdfunding and peer-to-peer lending within the framework of the Capital Markets and Services Act which is regulated by the Securities Commission. This development encourages entrepreneurs to raise seed funding for early growth of their businesses and tamper potential investor exuberance at the same time.
ii. In mid-June 2017, a new stock market called Leading Entrepreneur Accelerator Platform (LEAP) Market was established by Bursa Malaysia to allow for entrepreneurs to offer securities to sophisticated investors during their expansion / mid-cap phase and to list their company, with potentially less cost and in less time compared with Bursa's main market and the secondary ACE market. This bodes well especially for joint ventures with a planned listing exit strategy.

Reforms under the **FSA** and **IFSA** are as follows:

i. A potential acquirer is now allowed to increase its shareholding in the licensed person without having to obtain prior approval if such increase does not exceed a multiple of 5% and together not exceeding the aggregate of 10%;
ii. Disposal of shares no longer requires the approval of the MOF or BNM except in cases where the shareholder proposes to dispose of more than 50% of its interests or if such disposal results in the shareholder ceasing to have control over the licensed person;
iii. IFSA provides a clear focus on Shariah governance and compliance in the Islamic financial sector. Particularly, IFSA provides a comprehensive legal framework that is fully consistent with Shariah in all aspects of supervision and regulation, from licensing to the winding-up of institution; and
iv. IFSA provides a legal framework for the resolution of Islamic financial institutions in line with elements of relevant Islamic contracts.

Outlook

There is positive foreign investment interest across various sectors of the economy in view of attractive valuation.

This may however be affected by the progress of the Regional Comprehensive Economic Partnership and ASEAN Economic Community (deregulation of non-tariff barriers), confidence in Malaysia in general, Association of Southeast Asian Nations (ASEAN) in the wider sense, and any international headwinds that we may face or other potential political upheaval.

Our team

Our corporate and commercial practice across Malaysia comprises a total of 11 partners and over 30 associates. Our partners are:

i. Gilbert Gan (*gilbert.gan@zicolaw.com*)
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We are a full service team comprising of partners who are well versed in both private and public M&A transactions, joint ventures, restructuring, compliance advisory, company secretarial assistance, as well as competition law and personal data protection law. We also assist authorities with legislati drafting and law reform.

We have leveraged our ASEAN presence with notable regional deals.

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Zaid Ibrahim & Co., the founding firm of the ZICO Law network, is a full service firm and one of the country's most highly regarded. With more than 170 lawyers, we have developed a reputation for devising innovative and practical solutions customised to our clients' needs.

We have successfully advised on some of the largest and most complex M&A deals in the region, and have been recognised by various legal publications for our unrivalled expertise in this practice area. Our lawyers work hand-in-hand with investment bankers and other specialist advisors so your transactions benefit from professional synergy from start to finish.

Our wide-ranging expertise in domestic and cross border M&As cover an impressive range of sectors including communications, banking, insurance, energy, maritime transport, air transport, manufacturing, mining, plantation and property.

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Inbound M&A activity (USD)

**Data extracted from mergermarket as of June 2017*

Brunei

	Most active industries	Most encouraged industries	Common acquisition structures
	There have been no mergers and acquisitions in the recent months	• Brunei Halal products • Innovative, creative and technology industries • Logistics services • Tourism • Downstream oil and gas	• Unit trust schemes • Investment companies • Partnerships
Investment Incentives	Foreign direct investment incentives are awarded in the form of "Grants". The following is a non-exhaustive list of potential grants in Brunei — • Granting of a "pioneer" status on the industry and / or product • Granting of an "approved" status on the industry and / or product • Granting of an "export enterprise" status of agriculture, forestry or fisheries or export produce • Granting of a "venture company" status • Granting of a "technology investment company" status • Granting of an "overseas investment company" status Subject to certain conditions, each grant introduces a different investment incentive. These incentives include (but are not limited to) — • Exemption from corporate taxes • Exemption from income tax dividends • Tax relief • Relief from customs and import duties • Relief from export profits • Foreign loan approval • Investment allowance		
Foreign Equity Restrictions	With the exception of Oil & Gas and the construction industry (where local shareholders are to maintain at least 51% of the shares in the company), there is no specific requirement for foreign shareholders to own equity in local companies. Foreign shareholders may hold majority shares.		
Licensing Requirements	Matters are regulated according to the internal regulations of the relevant Ministry. For instance, matters involving foreign tenders are governed by the internal regulatory requirements of the Ministry of Development.		
Dealing with Local Regulators	Investment dealings are regulated by the Securities Market Order 2013 (SMO) and parties dealing in investments will require licensing under law. The SMO oversees controlling interest over parties deemed to be regulated persons.		

Reforms

In view of the coming establishment of a national stock exchange, the Monetary Authority of Brunei Darussalam or Central Bank of Brunei (AMBD) plans to review the takeovers and mergers & acquisitions provisions of the Companies Act. Brunei Darussalam is also expecting a Code on Takeovers and Mergers in line with international best practices in the near future.

Rozaiman Abdul Rahman
a member of ZICO | law

ZICO Law in Brunei is represented by Rozaiman Abdul Rahman (RAR) established in 2011.

RAR is led by Managing Partner Mohamad Rozaiman DSLJ Abdul Rahman who has 20 years of experience in the Brunei legal landscape. Mohamad Rozaiman is also the current President of Brunei Law Society.

The inclusion of RAR expands ZICO Law's reach to 17 cities in 10 out of 10 ASEAN countries and is a logical, intrinsic part of ZICO Law's ASEAN network expansion. As a member of ZICO Law, RAR provides clients with direct access to a powerhouse of 400 legal professionals and consultants through the integrated network of multidisciplinary firms in ZICO.

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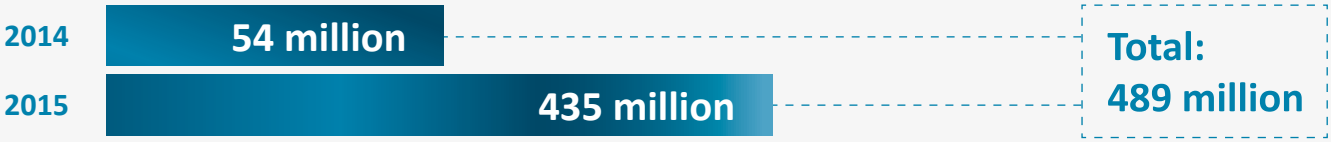
Inbound M&A activity (USD)



**Data extracted from mergermarket as of June 2017*

Cambodia

	Most active industries	Most encouraged industries	Common acquisition structures
	• Banking • Telecommunications	• Infrastructure • Industry / Manufacturing • Agriculture • Tourism	• Acquisition of shares
Investment Incentives	• Profit tax holidays for up to 9 years for all qualified (typically export-oriented investments) • Qualified investments are entitled to custom duty exemptions for import of production materials / components		
Foreign Equity Restrictions	No foreign equity restrictions are applicable against any sector in Cambodia. In fact, 100% foreign-owned investments are commonplace. There are specific equity obligations in the form of capital requirements set by the regulators for sectors such as banking and insurance. Where a business owns property (land), there is a requirement that 51% of the shares be held by Cambodian nationals.		
Licensing Requirements	Prior to obtaining a license, a local incorporated company must be established and must have a fully paid-up initial capital that is at least equal to the sum fixed by the supervisory authority. A branch of a foreign bank must have a fully paid-up capital endowment that is at least equal to the minimum capital of a covered entity locally incorporated as a company before obtaining a license. Additionally, licensing is required for the following sectors by the following regulators— • Banking services (regulated by the National Bank of Cambodia) • Telcom services (regulated by the Ministry of Post and Telecommunications) • Insurance services (regulated by the Ministry of Finance)		
Notable Mergers	**Banking** • 90% stake of ABA Bank was acquired by National Bank of Canada on May 2016 • 70% of SBC, a Singapore Bank, was 100% acquired by Cathay United Bank on September 2012 • 70% stake of Union Commercial Bank (UCB) was acquired by Taiwan E.SUN Bank in 2013 for $69.3 million. E.SUN Bank also planned to buy the other 25% of UCB's stake which still remains • Sathapana Ltd completed the merger procedures with Maruhan Japan Bank Plc in April 2016 **Telecom** • Telecom merged with Hello Axiata and Latelz Company Limited (Smart Mobile) in January 2013 • Mfone Co., Ltd. (Camshin) merged with Mobitel (CamGSM), the lead telecom company in Cambodia, in January 2013		
Dealing with Local Regulators	Dealing with Cambodian regulators differs from sector to sector. Certain concepts may not be explicitly addressed or covered by Cambodian law. Additionally, some elements of the law may not be applied in practice or are applied inconsistently across different government authorities. As such, in the absence of law, transactions and dealings with government authorities is based on the current practice of the particular government office that one is dealing with.		

Reforms

There are far reaching reforms in the tax compliance area. The General Department of Taxation (GDT) has, over the last 2 years, made great strides in enhancing tax registration, collection and filing requirements. This has had a great impact on the assessment of M&A tax aspects.

There have also been a series of reforms in the banking sector that require an increase in minimum capital requirements and a more stringent assessment of incoming investors to ensure expertise in this sector.

In terms of easing M&A transactions, the Ministry of Commerce is moving to an online registration system with the aim of easing the overly cumbersome existing process which requires personal attendance in the Ministry

Future reforms

The government is currently revising existing investment laws. It is understood that they are looking to expand the incentives to apply to both export-oriented and domestic businesses. Some incentives are expected to be sector-specific in order to encourage foreign investment into certain sectors.

To ease the process of going through customs, the country seeks to recognize transactions based entirely on online customs clearance and Certificates of Origin.

The government is also looking to implement tax reforms to provide a more business-friendly tax structure.

To encourage more foreign investments, Cambodia is introducing foreign ownership of condominiums in the region.

Lastly, the country is heading towards a reform in anti-corruption laws where plans are being made for the publication of official fee schedules to tackle issues relating to unreceipted facilitation fees.

Outlook for 2017

In the future, Cambodia is expecting to see more foreign investment into domestic market sectors such as banking, telco and internet service providers.

Additionally, the country is expecting to see a rise in M&A-related activities in the banking, telco and internet service sectors.

Lastly, the country is expecting a reform of the existing tax regime to address investor concerns.

Our team

Our corporate and commercial partners are:

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SokSiphana&associates
a member of ZICO | law

Representing ZICO Law in Cambodia, SokSiphana&associates is one of the most prominent legal firms in Cambodia providing a full spectrum of corporate and commercial services. The firm was founded in 1998 by Dr. Sok Siphana, a highly accomplished lawyer and leading corporate figure who has served in many high profile capacities in the Cambodian government and other prominent organisations. A unique value add we offer is our deep connection to the development of our country and economic trends, combined with a keen appreciation of regional and global issues. Our philosophy is simple - we are committed to help clients with effective, forward-thinking business strategy while mitigating possible risks. To maintain our firm's highest level of service and integrity, we constantly benchmark ourselves against the best international legal firms.

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Inbound M&A activity (USD)

**Data extracted from mergermarket as of June 2017*

Indonesia

	Most active industries	Most encouraged industries	Common acquisition structures
	• Telecommunications • Aviation • Plantations / natural resources • E-commerce • Food and beverages industries sector	• Mining of oil and gas and Geothermal • Agriculture and fisheries • Textile Industry • Infrastructure under Public • Private Partnership • E-commerce	• Limited liability company
Investment Incentives	Based on Government Regulation Number 9 of 2016 on Amendment to Government Regulation Number 18 of 2015 Regarding Tax Allowance Facilities for Investment in certain Business Fields and / or certain Regions, there are 145 business sectors that are being encouraged for investment. Usually investment incentives are in the form of tax allowance / tax holiday and exemption of import duty.		
Foreign Equity Restrictions	Most of all foreign investments require a principal investment license from BKPM (Indonesia Investment Coordinating Board) and specific business license issued by the relevant authority. Further, several business sectors also have foreign cap, as follows: • Mining of oil and gas is open for 49% or 75% foreign investment each depending on specific business fields; • Geothermal is open for 90% or 95% foreign investment depending on each specific business field; • Several agriculture and fishery sectors are open for foreign investment with foreign cap, but there are other sectors that are closed for foreign investment;		
Licensing Requirements	• Textile Industry is closed for foreign investment; • Infrastructure under Public-Private Partnership is open for 100% foreign investment; • E-commerce is open for a maximum of 100% foreign investment if the investment value is more than Rp. 100,000,000,000; • Telecommunication is open for 49% or 67% foreign investment depending on each specific business field; • Aviation is open for 49% or 67% foreign investment depending on each specific business field; • Plantations are open for 95% foreign investment with certain amount of area condition; • Food and beverage industry, such as Restaurant, Bar, Café is open for 100% foreign investment.		

Reforms

In general M&A transactions are private arrangement by private legal entities, thus they usually adopt the freedom of contract principle. This gives more ease and freedom to the parties to arrange their M&A transaction.

More specifically, BKPM introduces new regulations to shorten the procedure of investment, such as establishing Indonesia's One-Stop Investment Licensing Service (PTSP) and e-filling.

For listed / public companies, there are new procedures to ease:

i. listing company's shares on Indonesian stock exchange; and
ii. transferring tax for M&A transaction in Indonesia.

Future reforms

The Government of Indonesia under President Mr. Joko Widodo has introduced 14 Economic Policy Packages, which in essence combat red tape, simplify or deregulate the laws, shorten the procedures in order to create legal certainty in all business sectors and ultimately attract more foreign investment into Indonesia. There will also be more economic policy packages in the future to tackle the above issues and promote other potential sectors in Indonesia.

Outlook for 2017

The future looks promising based on the new ranking of Indonesia from 106 (2016) to 91 (2017), in the Ease of Doing Business Index by World Bank. President Joko Widodo has also reaffirmed that Indonesia is currently implementing regulatory reformation to achieve an even higher ranking in Ease of Doing Business Index.

Our team

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Roosdiono&partners
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ZICO Law in Indonesia is represented by its member firm Roosdiono & Partners (R&P). R&P is a full-service corporate law firm founded in 1999 by senior consultant Anangga Wardhana Roosdiono, a renowned and respected lawyer with more than 50 years' experience. Based in Jakarta, we are acknowledged for our ability to combine local knowledge with regional insights to develop effective legal solutions. We continue to uphold our commitment to help clients improve business performance and achieve a competitive edge, whether they operate in Indonesia or in the region.

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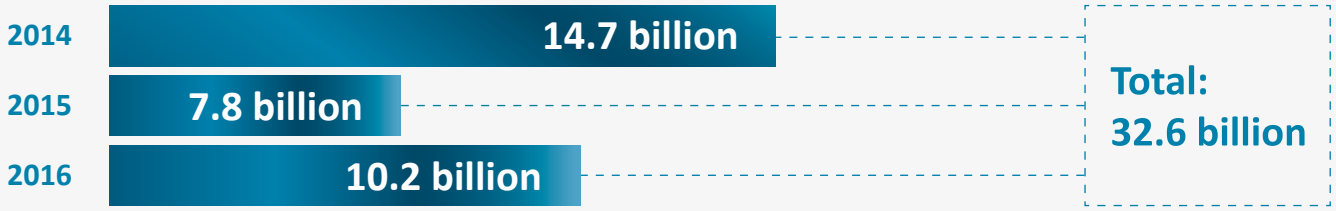
Inbound M&A activity (USD)



**Data extracted from mergermarket as of June 2017*

Laos

Most active industries	Most encouraged industries	Common acquisition structures
• Mining • Hydropower • Telecommunications • Real estate development • Hospitality	• Energy • Agriculture • Manufacturing • Tourism • Development of economic zones • Labor skill development • Telecoms • Industrial processing • Transport & public works • Science & technology	• Partnership arrangements • Establishment of a limited company • Establishment of a public company

Investment Incentives	The promoted investment sectors are science and technology, agriculture, agricultural processing industry, information and cultural, tourism, education, sports, labor skill and human resources development, public health, public works and transportation, banks and financial institutions, and shopping malls with a minimum registered capital of LAK1,200,000,000, or having at least 30 Lao specialists, or having at least 50 Lao employees under a minimum one-year term of employment agreement. Tax incentives are determined by the promoted investment sectors and promoted zones where it is located which is categorized into three zones: • Zone 1 – remote areas where socio-economic infrastructure does not facilitate investment; • Zone 2 – areas where socio-economic infrastructure supports investment; and • Zone 3 – Special Economic Zones (SEZs). Tax incentives are granted through a profit tax exemption which depends on the promoted investment sector and zone: • Zone 1 – promoted activities shall receive profit tax exemption for 10-15 years; • Zone 2 – promoted activities shall receive profit tax exemption for 4-7 years; and • Zone 3 – profit tax exemption shall be based on the relevant laws and regulations. Profit tax exemption starts from the year on which the enterprise starts making a profit. Once the profit tax exemption period is over, the foreign investment enterprise must pay profit tax. Other incentives are: exemption from import duties on equipment which cannot be provided or produced in the Lao PDR to be invested to fixed assets and vehicles directly used in the production, and raw materials, equipment and spare parts directly used in the production for export; exemption from export duties on the use of domestic raw materials (not from natural resource) in the production of readymade products for export. In addition, the enterprises may be entitled to: • Exemption from profit tax in the following accounting year when net profit is spent to expand business operations; and • Deduction of annual losses from profit in the following year within a period of 3 years. Moreover, the amended Investment Promotion Law (IPL) also formalizes the tax exemptions on State land leases and concession rental fees with a specific period of time depending on the promoted sectors and eligible zones.
Foreign Equity Restrictions	Foreign investors are encouraged to invest in all sectors and areas throughout the country, except those that are considered harmful to national security, environment, public health and national culture, and those specifically reserved for Lao citizens. Other industry sectors require limits on foreign shareholding and minimum paid up capitalization such as investment activities related to manufacture of food products, construction, wholesale and retail trade, transportation and storage as well as short term accommodation.
Licensing Requirements	Regulatory licensing is required for all investment in Lao PDR and any changes in shareholding interests' mandates amendment of its company licenses and corporate documents. The main legislation prescribing the mandatory licensing requirements for investments is the amended Investment Promotion Law and for the exercise of M&A being the amended Enterprise Law.
Dealing with Local Regulators	According to the Ease of Doing Business Ranking 2008-2016 reported by the World Bank, Lao PDR's standing in the ease of doing business ranking improved from 165 among 189 economies over the past eight years to 139. This is primarily because in 2016, the Lao PDR has reformed the process of starting a business by implementing simplified procedures for obtaining a license and a registered company seal. Despite the foregoing, the regulatory environment for investment and M&A in Lao PDR is still in a stage of development where reforms are required in order to be able to attract more foreign investments and address their key concerns.

Reforms

In 2016, the Lao PDR made efforts to reform its Investment Promotion Law as well as other key legislation in response to the growth in domestic and international commerce. It has enacted the amended Investment Promotion Law No. 14/NA dated 17 November 2016 which took effect on 19 April 2017.

The main purpose of this amended Investment Promotion Law is to attract investment in the Lao PDR both from domestic and international investors by offering a variety of incentives to business operators and providing a straightforward process of starting up businesses in the Lao PDR.

The amended Investment Promotion Law replaced the Investment Promotion Law No. 02/NA dated 8 July 2009 and its Implementing Decree No. 119/PM dated 20 April 2011. There is currently no Implementing Decree issued to support the amended IPL yet.

Future reforms

While the amended Investment Promotion Law was enacted with the main aim of overcoming hindrances of the previous Investment Promotion Law to develop the national investment, economy as well as society, some provisions are still vague and arguable. This could potentially produce future problems in implementation of the amended Investment Promotion Law should there be no clarification of the provisions and/or additional regulations to be promulgated at a later date.

The Government of Lao PDR is reviewing a number of legislations to be in line with its WTO and ASEAN Commitments.

There is an increase of interest in securities and insurance businesses and the Securities Law and Insurance Law are being amended, and expected to be promulgated and implemented in 2018.

Outlook for 2017

Lao expects to see an increasing interest for M&A transactions, particularly from among the ASEAN countries that are in the process of adopting investment reforms which include the grant of investment incentives.

It is also foreseen that there will be a continued interest in M&A for the following investment sectors-energy, mining, agriculture, manufacturing and property development.

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In Laos, ZICO Law is represented by its member firm, Vientiane Law. Since 2009, we have been operating from our Vientiane office with a team of experienced foreign and Laotian lawyers.

ZICO Law in Laos is helmed by Aristotle David, as Managing Partner. Aristotle has over 17 years' experience as an international lawyer including more than 11 years in Laos with experience in dealing with a wide range of business transactional matters for multinational corporate clients.

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Inbound M&A activity (USD)

** Data extracted from mergermarket as of June 2017*

Myanmar

	Most active industries	Most encouraged industries	Common acquisition structures
	• Oil and gas • Transport and communication • Manufacturing • Real Estate • Power		• Transfer of shares between existing foreign / local shareholders and foreign investors • Joint ventures with local partners • Acquisitions of businesses or assets
Investment Incentives	• Income tax exemptions • Right to deduct depreciation from profit in respect of machinery, equipment, building or other capital assets used in the business for the purpose of income tax assessment • Up to 50% relief from income tax on profits accrued from export of goods produced by manufacturing businesses • Right to pay foreigner's income tax at the rates applicable to local residents • Right to deduct expenses from the assessable income such expenses incurred in respect of research and development • Right to carry forward and set-off loss of up to 3 consecutive years • Exemption from custom duty on materials used in businesses and raw materials imported for production • Exemption from commercial tax on goods produced for export • Depending on the category of business, investors may be entitled to lease or use the land for up to 50 years and for a further two times of 10 consecutive years		
Foreign Equity Restrictions	The equity structure depends on the type of business activity conducted by the relevant company. According to the Foreign Investment Rules 2013, the maximum foreign investment capital ratio in a company may not be more than 80% of the total investment amount if the foreigner has formed a joint-venture with a citizen to carry out prohibited or restricted businesses.		
Licensing Requirements	The following sectors require ministerial approval and a permit from the Myanmar Investment Commission: • Oil and gas • Transport and communications services • Manufacturing • Real estate • Power		
Merger Control	The merger control regime in Myanmar is guided by the Competition Law 2015. This law provides for the establishment of a Commission consisting of a chair and intelligentsias formed of individuals with the rank of Union Master and other eligible people from relevant ministries / government departments. The power to regulate any acquisition or merger is vested with the Commission, which shall set the threshold based on market share, revenue, investment, number of shares and assets derived such acquisition or merger. The law does not make a distinction between local to local, local to foreign or foreign to foreign transactions.		
Dealing with Local Regulators	M&A is a complex matter; however, it suffices to say that while there may be many government authorities involved and regulations to comply with, the MIC process attempts to streamline matters for the investor.		

Reforms

The merger control regime in Myanmar is guided by the Competition Law 2015. This law provides for the establishment of a Commission consisting of a chair and intelligentsias, formed of individuals with the rank of Union Master and other eligible people from relevant ministries / government departments.

The power to regulate any acquisition or merger is vested with the Commission, which shall set the threshold based on market share, revenue, investment, number of shares and assets derived such acquisition or merger. The law does not make a distinction between local to local, local to foreign or foreign to foreign transactions.

M&A in Myanmar

A foreign investor contemplating an acquisition in Myanmar must consider whether such an investment is permitted under the Foreign Investment Notification which sets out certain restrictions with regard to foreign ownership in specified industries / sectors.

If the target company was established under the Foreign Investment Law, then the Myanmar Investment Commission (MIC) has the discretion to approve the acquisition by a foreign investor of the shares held by a Myanmar citizen or a Myanmar company shareholder.

If the foreign investor wishes to purchase the shares of a foreign shareholder, such an acquisition would only be permitted provided the share transfer complies with the requirements and procedures as set out in the Foreign Investment Rules and Regulations, and MIC approval is accordingly obtained.

Where the target company is an MIC company, share transfers will have to be registered with the Directorate of Investment and Company Administration Office (DICA) and the MIC must be informed. For target companies which are not MIC Companies, on the other hand, share transfers may be submitted directly to DICA without having to run the matter through MIC.

ZICO Law in Myanmar is a member firm of ZICO Law, a network of leading integrated local law firms focused on ASEAN. ZICO Law provides clients with access to an ASEAN powerhouse of 300 lawyers with offices and member firms. The insights of local, regional and global practices provide an extra edge to clients by presenting them with the unique opportunity to work with only one legal firm for various crossborder transactions. ZICO Law in Myanmar is helmed by Samuel Britton, as Managing Partner. Samuel has over 20 years' experience in dealing with a wide range of business transactional matters for multinational corporate clients and high-net worth individuals. Samuel's prior experience encompassed an array of industries and business sectors including manufacturing, transportation and logistics, construction, industrial and commercial real estate, securities, banking and finance, travel, and the hotel industry.

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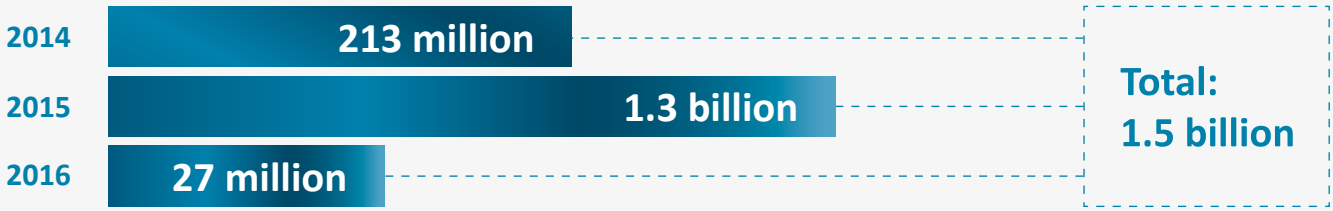
Inbound M&A activity (USD)



**Data extracted from mergermarket as of June 2017*

Philippines

	Most active industries	Most encouraged industries	Common acquisition structures
	• Consumer • Energy • Services • Financial services • Construction • Transportation • Real estate • Information technology	• Manufacturing • Agribusiness • Services	• Establishment of a domestic corporation • Operation of a branch / representative office • Joint ventures • Limited / general partnership arrangements
Investment Incentives	Subject to certain conditions, enterprises registered with the Philippine Board of Investment enjoy the following tax and non-tax incentives: **Tax incentives** • Income tax exemption for a period of 3, 4 or 6 years depending on the category of firm (whether pioneer, expanding, etc.) • Exemption from taxes and duties on imported spare parts and consumable supplies • Exemption from taxes and duties on imported machineries, equipment, spare parts and accessories • An additional deduction of the taxable income of 50% of the wages of skilled and unskilled workers in the direct labour force for the first 5 years of registration • Exemption from taxes and duties on imported breeding stock and genetic materials for the first 10 years from the date of registration or commercial operation • Tax credit for taxes and duties on raw materials, supplies and semi-manufactured products used for the manufacture of export products • Exemption from taxes and duties on imported supplies and spare parts for imported and consigned equipment • Exemption from wharfage duties, export tax duty, impost and fees on non-traditional export products **Non-tax incentives** • Simplified customs procedures for the import of equipment, spare parts, raw materials and supplies • Simplified customs procedures for the export of processed products • No restriction on the use of consigned equipment • Employment of foreign nationals for a period of 5 years from the date of registration of the enterprise		
Foreign Equity Restrictions	Foreign equity restrictions of up to 25% or 40% apply to the following industries: **Up to 25% foreign equity** Contracts for the construction and repair of locally funded public works (except infrastructure / development projects covered under Republic Act No. 7718, the Build-Operate-Transfer Law and foreign-funded or assisted projects required to undergo international competitive bidding) **Up to 40% foreign equity** • Exploration, development and utilization of natural resources, including renewable energy • Ownership of private lands • Operation of public utilities • Culture, production, milling, processing, trading (except retailing) and acquisition of rice and corn and byproducts of rice / corn • Acting as facility operator of an infrastructure or a development facility requiring a public utility franchise Additional foreign equity restrictions also apply for enterprises registering under the 2017 Investments Priorities Plan for the purpose of obtaining incentives under the Omnibus Investment Code.		
Licensing Requirements	Entities that intend to do business in the Philippines are required to register with the Philippine Department of Trade and Industry or the Philippine Securities and Exchange Commission. Entities are also expected to comply with the basic post registration requirements of the Local Government Unit, Bureau of Internal Revenue and employee-welfare related agencies. Further, highly regulated industries such as energy, public utilities and financial services are subject to special licensing or registration requirements with the government agency having jurisdiction over such industries.		
Dealing with Local Regulators	The recently established Philippine Competition Commission (PCC), a government agency created to promote and maintain market competition in the country, regulates M&A transactions having direct, substantial and reasonably foreseeable effects on trade, industry or commerce in the Philippines. Since its establishment in 2016, the PCC has been very involved in restricting the number of proposed M&A transactions likely to substantially prevent, restrict or lessen competition in the relevant market.		

Reforms

Under the recently enacted Republic Act No. 10881, foreigners may hold 100% ownership in investment adjustment companies, investment houses, lending companies and financial companies. This development greatly encourages foreign investments into the country's financial services sector.

Future reforms

The Philippine Capital Market Development Council is currently discussing a proposal on relaxed tax treatments for companies undergoing mergers. This proposal aims to amend the 1997 Philippine Tax Code to automatically exempt related companies from paying capital gains tax (amongst other levies) when undergoing a merger.

On that note, this suggested amendment to the Philippine Tax Code is expected to usher in more mergers and public listings on the Philippine Stock Exchange.

At present, tax exemptions for mergers are allowed under the Philippine Tax Code subject to proving certain conditions prior to obtaining a confirmatory ruling from the Bureau of International Revenue.

Outlook for 2017

Due to the rapid development in the nation's economy as well as the integration and globalisation of the ASEAN region, more mergers and acquisitions are expected to occur within the Philippines.

The government is also looking to introduce various incentives and promotions for SMEs and start-up companies.

Besides that, the trend on FinTech companies is expected to increase. Financial institutions will most likely be interested in acquiring technology companies to enhance their ability to compete in the financial market.

INSIGHTS PHILIPPINES
LEGAL ADVISORS a member of ZICO law

Insights Philippines Legal Advisors joined the ZICO Law network in 2017. The firm is helmed by Felix Sy, a leading lawyer with over 20 years of experience and expertise in advising and assisting corporates and project developers and financial institutions (both international and domestic) in the banking, financing, energy / renewables, infrastructure and insurance sectors.

From complex financing and security transactions to developing infrastructure and energy / power / renewable projects to mergers and acquisitions and bancassurance transactions among banks and insurers to real estate joint ventures, our extensive experience and expertise as well as excellent working relationships with market players and regulators equip us to provide clear, concise, responsive, timely, and innovative advice to allow you to find working solutions to your business concerns so you can continue to focus on entering and expanding exponentially in markets within the Philippines and beyond into ASEAN.

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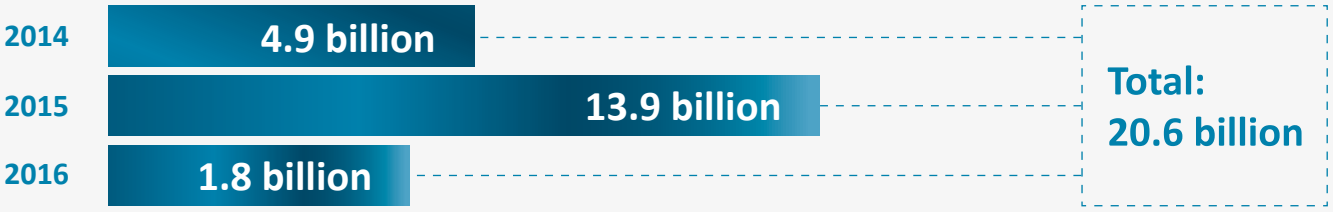
Inbound M&A activity (USD)



**Data extracted from mergermarket as of June 2017*

Singapore

	Most active industries	Most encouraged industries	Common acquisition structures
	• Real Estate • Industrials • Healthcare • Energy • Consumer and Business Services	• Information technology • Finance technology (FinTech) • Automation and robotics technology • Industrials including high-end manufacturing of semiconductors and electronics • Healthcare including biotechnology, medical equipment and pharmaceuticals	• Acquisition of shares • Acquisition of business or assets • Joint venture • Take-over of public listed company • Scheme of arrangement • Scheme of amalgamation
Investment Incentives	• Government tenders • Government facilities, i.e. setting up of a “Regulatory Sandbox” environment to encourage FinTech experiments • Grants • Government launching of Smart Nation, a vision of harnessing technology to improve the lives of citizens and create more opportunities for businesses • Government establishment of a Smart Financial Center to support and develop FinTech projects and industry • Scaling up of the National Robotics Programme to more than $450 million to support the transformation of sectors such as healthcare, construction, manufacturing, logistics through development of new technologies.		
Foreign Equity Restrictions	According to Singapore's Residential Property Act (Chapter 274), foreigners may be restricted from acquiring residential properties. Besides that, there are generally no restrictions on foreign equity except for the operation of the following — • Local banks • Broadcasting companies • Newspaper publishing companies		
Licensing Requirements	Licensing is required for the following sectors by the following regulators — • Information technology and media services (regulated by the Info-communications Media Development Authority) • Banking and financing services (regulated by the Monetary Authority of Singapore "MAS") • Industrials / Automation and Robotics technology (no specific regulatory authority, though this sector may be subject to various other bodies depending on the nature of products manufactured) • Healthcare services (regulated by the Health Sciences Authority)		
Dealing with Local Regulators	The regulators in Singapore are transparent in their dealings and conducting business is straight forward. The Singapore government has a pro-investment policy and encourages foreign direct interests to invest in Singapore.		
Privatization of Public Listed Companies	Privatisation of public listed companies has been on an increase in 2016 and 2017. Reasons for the privatisation are due to regional economic downturn arising from various factors, inter alia, the ‘brexit’ impact and weak oil prices, and dismal trading volumes. Moreover, there are many companies that have been awarded low valuations by the market partly as a result of their own weak business performance. Further, regulator’s compliance, minority shareholder safeguards and timely submission of quarterly earnings incur significant costs, and that may be seen as a burden for companies, especially the smaller cap ones. By privatisation, companies can realign their attention from the management responsibilities of a listed company to managing core operations with the reduced responsibility of answering to fewer investors and thus implementing turnaround strategies successfully.		

Reforms

Reforms to the M&A landscape in Singapore were made pursuant to the amendments to Singapore's Companies Act which was implemented in July 2015 and January 2016 to help ease transactions.

Some of the more significant amendments in the Companies Act to affect the M&A landscape in the country include —

i. **Removal of the financial assistance regime for private companies and additional whitewash procedures**
Pursuant to the Companies Act, a company is restricted from providing financial assistance for the purpose of, or in connection with, the acquisition of its shares unless (a) it comes within the exceptions prescribed in the Companies Act, or (b) the company undergoes what is known as a "whitewash" procedure. Although, the "whitewash" procedure provides for directors of a target giving financial assistance to resolve that there is no material prejudice, the target may not undertake the "whitewash" procedure due to the impracticalities of it. A "whitewash" procedure is quite a time consuming process and the target directors who are exiting post acquisition may not be willing to be exposed to any potential liability arising from a whitewash.

The removal of financial assistance regime for private companies makes things easier for M&A transactions as it now allows a purchaser to acquire a private target company by using its own assets as security as a form of financing without having to deal with the "whitewash" procedures.

ii. **Amendment to Section 215 of the Companies Act pertaining to the cut-off time for determining the 90% threshold for squeeze-out**
Clarification to Section 215 of the Companies Act was provided via the amendments that any new shares issued, or treasury shares which ceased to be treasury shares after the date of the offer to acquire shares is made, are not to be taken into account in determining whether the threshold of 90% of the total number of shares or shares in a particular class has been attained by the offeror. The requisites of the acceptance level is now clear for an offeror to exercise its squeeze-out rights.

iii. **Allowing a scheme of arrangement to not fail on the grounds that the offer could not be extended to foreign shareholders**
The scheme of arrangement prescribed in the Companies Act has now been amended to provide for a scheme of arrangement to succeed even though it was impossible for the offer to be extended to foreign shareholders. Considering the increase in foreign shareholder base of corporate entities in Singapore, this amendment is important as it facilitates privatisation transaction to proceed subject to the conditions stipulated in the Companies Act being complied with without an offeror having to comply with public offer requirements in other jurisdictions.

In addition, the MAS, on the advice of the Securities Industry Council ("**SIC**"), has issued a revised Singapore Code on Take-Overs and Mergers ("Code") in February 2016. The key changes in terms of helping to ease M&A transactions is as follows:

i. **Providing certainty in cases of competing offers**
The Code now provides greater certainty on the applicable procedures and timelines where there are competing offers. The amendments to the Code are that the offer timetables will be aligned to that of the latest offer and prescribe a default auction procedure, if neither offeror has declared its final offer price in the later stages of the offer period. To increase the prospects of a competing offer that will benefit offeree company shareholders, the deadline for a potential competing offeror to announce a competing offer, has also been extended.

ii. **Encouraging pro-active offeree boards**
The Code now encourages offeree company boards to take a more active role in safeguarding shareholders' interest. The amendments that have been made to the Code clarify that soliciting a competing offer or running a sale process does not amount to frustration of the existing offer; and an offeree board may consider sharing available management projections and forecasts with the independent financial adviser to better advise on the offer. This in turn would have a positive effect on M&A activities as the board would be more pro-active in structuring the transaction and create greater shareholder value.

Future reforms

In Budget 2016, the Singapore government announced the launch of a S$4.5 billion Industry Transformation Programme to transform the enterprises and industries in Singapore through innovation. At the company level, there are four initiatives that were highlighted to help companies by building deep capabilities, deploying technology, developing scales and internationalisation.

An Automation Support Package is provided to help small and medium enterprises ("SMEs") with the huge financial outlay that comes with scaling up businesses. The key items provided by the Automation Support Package are a grant of up to 50 per cent of project costs, capped at S$1 million. There is also a 100% investment allowance for automation equipment. The Singapore Government will also improve the access of SMEs to loans to buy equipment under a SPRING Singapore scheme by taking on 70% of the risk from the current 50%.

The M&A scheme introduced in 2010 was to encourage companies to consider M&A as a strategy for growth and internationalisation. To support more M&A activity by companies incorporated and tax resident in Singapore, the cap on the value of qualifying acquisitions for M&A allowance per Year of Assessment will be increased to S$40 million of the value of the deal, twice the current cap of S$20 million. With the enhancement of the M&A allowance to 25% of the value of the deal as announced in Budget 2015, companies can now enjoy up to S$10 million of M&A tax allowances per Year of Assessment.

To provide upfront certainty for companies for their corporate restructuring, the non-taxation of companies' gains on disposal of their equity investments, based on existing scheme parameters, has been extended until 31 May 2022. Further, to promote internationalisation, the double tax deduction for internationalisation scheme has also been extended till 31 March 2020.

In addition to the measures announced in Budget 2016, the Singapore Government announced in Budget 2017, the introduction of steps to strengthen the capabilities of Singapore's enterprises. To ensure that local enterprises stay competitive and grow in Singapore, the Singapore Government has set out 3 areas of focus for enterprises which are digital technology, embracing innovation and scaling up of businesses.

The Singapore Government announced the introduction of SMEs Go Digital Programme to help SMEs build digital capabilities to improve productivity of SMEs. The targeted sectors to implement digital technology includes Retail, Food Services, Wholesale Trade, Logistics, Cleaning and Security. Further, with the increased digitalization of industries, capabilities in data and cybersecurity will be strengthened to ensure networks are to function smoothly. Over S$80 million will be made available for these programmes.

In encouraging innovation and better tapping on technology in Singapore, the Agency for Science, Technology and Research ("A*STAR") will work with local firms to conduct operation and technology road-mapping, to identify how technology can help them innovate and compete. A*STAR also partners SMEs through the Headstart Programme which allows SMEs that co-develop Intellectual Property with A*STAR to enjoy royalty-free and exclusive licenses for 18 months in first instance (which will be extended to 36 months). A*STAR will further provide firms with access to advanced machine tools for prototyping and testing under a new Tech Access Initiative.

The Singapore Government will allocate up to S$600 million in capital for a new International Partnership Fund to help Singapore-based firms to scale-up and internationalise. In addition, the Singapore Government will be topping up the National Research Fund by S$500 million to support innovation efforts and the National Productivity Fund by another S$1 billion, to support industry transformation.

Outlook for 2017

The year 2017 is promising for M&A activity although fluctuations and changes in regulatory requirements and policies in the international markets may pose challenges. The deceleration of worldwide economy will in turn cause lower financial valuations by potential buyers as well as smaller sized M&A deals and transactions taking place as companies take a more cautious approach in their acquisitions. This is evidenced from the fact that the overall Singapore M&A activity for the first half of 2017 is at US$22.4 billion, down 20.3% compared to the first half of 2016. The average M&A deal size for disclosed deal dropped to US$89.8 million compared to US$93.6 million in the first half of 2016.

However, as Singapore strives to be a Smart Nation, many businesses and startups are emerging with new technology ideas and apps to catch the wave of expansion in IT, the automation industry and robotics technology sectors. The prospects of M&A activity in these areas are positive as investors seek to establish a foothold in these areas through investments in these firms although this has yet to be seen in 2017.

Our team

Our corporate and commercial partners are:

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ii. Gregory Chan (*gregory.chan@zicolaw.com*)
iii. Chua Wei Min (*wei.min.chua@zicolaw.com*)

ZICO Law in Singapore is represented by ZICO Insights Law LLC, established in December 2015. The inclusion of a Singapore-qualified law practice expands ZICO Law's existing ASEAN network to 17 cities in 10 out of 10 ASEAN countries and is a logical and intrinsic part of ZICO Law's ASEAN network growth to complement the legal advisory services already provided by the other network members in Southeast Asia. ZICO Insights Law is led by managing director Yap Lian Seng and first directors Gregory Chan, Chua Wei Min and David Lee, and will expand headcount throughout 2017 to strengthen its capacity and capability.

Gregory Chan
Director, Singapore

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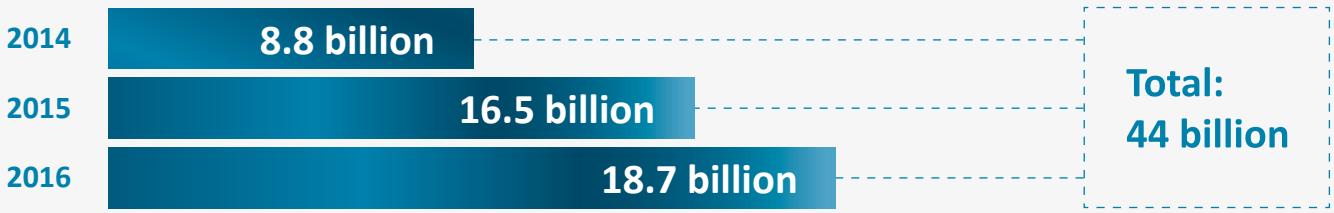
Inbound M&A activity (USD)



**Data extracted from mergermarket as of June 2017*

Thailand

Most active industries	Most encouraged industries	Common acquisition structures
• Energy (Solar power plants) • E-commerce • Software Development • Internet Service Providers • Digital Media	• Research and development (R&D) • Vocational Training Centres (specialized in science and technology) • Electronics design • Engineering design • Scientific laboratories • Calibration services	In the event that businesses operated by foreign investors cannot be granted by a foreign business license from the Inland Ministry of Commerce or investment promotion from the Board of Investment (BOI), foreign investors may find local partners and retain control through: • Shareholding Structure; • Articles of Association; or • Joint Venture / Shareholders Agreements.

Investment Incentives	• The incentives according to the Investment Promotion Act B.E. 2520 (1997) as amended in 2017 (the Investment Promotion Act) are as follows: i. Corporate income tax (CIT) exemption up to 13 years; ii. 50 % reduction of Corporate Income Tax rate up to 10 years; iii. Exemption of import duty on machinery, raw and essential material (used for export products) and products used for R&D purposes; and / or iv. Non-Tax incentives e.g. rights to own land, permit to bring into the Kingdom skilled workers and experts to work in investment promoted activities • The Competitiveness Enhancement Act for Targeted Industries B.E. 2560 (2017) (the Competitiveness Enhancement Act), which is considered as a new tool to promote inbound investment in targeted industries such as R&D, innovation promotion or specialized human resources development, provides incentives to promote businesses such as CIT exemption up to 15 years and other non-tax incentives granted by the BOI under the Investment Promotion Act. The regulations and announcements which would clarify certain definitions and terms according to the Competitiveness Enhancement Act are still in progress.
Foreign Equity Restrictions	The Foreign Business Act B.E. 2542 (1999) (FBA) is the most important legislation governing foreigners engaging in business activities in Thailand. The FBA limits foreign ownership of shares to not more than 49.99 percent in certain businesses, such as wholesale / retail, broker / agent and any type of service activities, that categorizes these businesses into three lists attached to the FBA.
Licensing Requirements	**i. Foreign Business License** • If foreigners wish to hold more than 49.99 percent of shares, they must apply for a foreign business license (FBL) from the Inland Ministry of Commerce. • If foreigners receive the FBL, the foreigners must comply with legal requirements and conditions, such as, Baht 3 million minimum capital and inward remittance, ratio of loan to capital, annual filing. **ii. Special Regulations** • Apart from the aforementioned regulations, there are certain businesses which are outside the regulation of the FBA such as telecommunication, security broker, or financial consult which must comply with other special regulations.
Promoted Activities	There are some exemptions and relaxations on restrictions for foreign shareholders carrying out business activities promoted by the BOI or ASEAN Framework Agreement on Services (AFAS) and foreign investors qualified under US – Thailand treaty of amity to apply for Foreign Business Certificate (FBC) which is less complicated and takes a shorter period of time for approval.
Dealing with Local Regulators	• The authority that governs foreign direct investments and considers FBL applications in Thailand is the Inland Ministry of Commerce. • The likelihood of receiving the FBL increases if the business plan included the application satisfies the Foreign Business Committee in the following significant aspects: (a) Limitation of Market, (b) Complexity of Service and (c) Technology Transfer. In the event that the foreigners can fulfil the aforementioned requirements, its application is likely to be approved. • In terms of merger regulations, only some restricted businesses, such as the telecommun ication, financial, insurance business, are subject to certain regulations on merger control by the government of Thailand.

Reforms

There are many incentives regarding tax for entire business transfers in Thailand, for instance, income tax exemption on share swaps and special business tax exemptions on land transfers.

Future reforms

Rules and regulations on merger control is both regulated and governed by the Office of Trade Competition Commission.

Outlook for 2017

There are no regulations or restrictions on M&A in Thailand, hence, M&A activity is expected to continuously rise.

The government is also looking to introduce various incentives and promotions for SMEs and start-up companies.

Besides that, the trend on FinTech companies is expected to increase. Financial institutions will most likely be interested in acquiring technology companies to enhance their ability to compete in the financial market.

Our team

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Established in 2006, ZICO Law Thailand, a member of ZICO Law network is a full service law firm able to combine local knowledge with regional insights to develop effective legal solutions. We provide full business legal advisory services to clients in Thailand and abroad. Based in Bangkok, we have successfully advised private and public companies, government agencies, partnerships, international energy companies and high-net worth individuals in a wide spectrum of domestic and cross-border deals and transactions.

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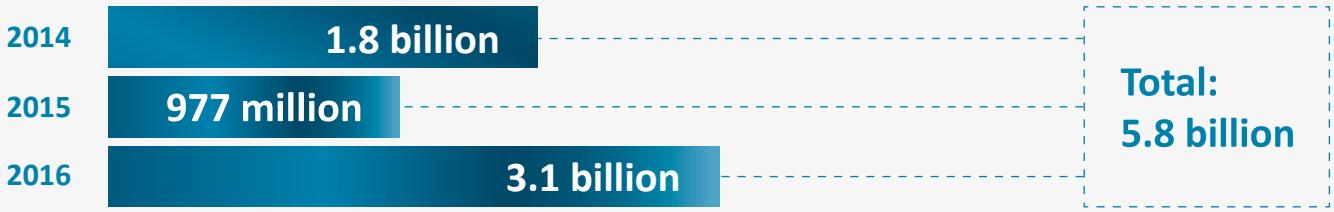
Inbound M&A activity (USD)



**Data extracted from mergermarket as of June 2017*

Vietnam

	Most active industries	Most encouraged industries	Common acquisition structures
	• Manufacturing • Retail • Real estate • Hospitality • Consumer goods	• Technology • Renewable energy • Manufacturing • Education • Infrastructure facilities	Special purpose acquisition companies
Investment Incentives	• Reduced or exempted corporate income tax rate for a definite period or throughout the whole duration of the investment project • Exemption from import duties • Exemption from and reduction of land rent, land use fees and land use tax		
Foreign Equity Restrictions	There are no restrictions against foreigners except in the retail sectors where investors are required to obtain approval in opening additional retail outlets.		
Licensing Requirements	• Foreign investors are required to obtain an investment registration certificate to implement investment projects in Vietnam in all sectors except where investments are secured by way of share acquisition • If the acquisition increases the foreign ownership ratio in the company by 51% and above, approval from authorities is required		
Cross-border Deals on the Rise	Our firm is increasingly involved in M&A transactions due to the simplified M&A procedures. We recently acted on a transaction involving 2 BVI entities involving Vietnamese entities in Vietnam. One of the BVI entities had issued special classes of shares granting specific rights to the assets in Vietnam to the shareholders in addition to the multiple jurisdictions. We also advised on the legal and commercial implications to the buyer of the group of companies.		
Dealing with Local Regulators	Generally, the authorities are more familiar with the provisions of the Law on Enterprise (LOE) and Law on Investment (LOI) which took effect on 1 July 2015. However, there may still be different interpretations and implementations by the respective local licensing authorities. For instance, documents which may not be required by law may be requested by authorities and this varies depending on the practice of the licensing authorities of each different locality.		

Reforms

On 26 November 2014, the National Assembly passed a new Law on Enterprise (LOE) and Law on Investment (LOI), replacing the old Law on Investment 2005 and Law on Enterprise 2005. The new laws are more transparent, simplified and adopt a more pro-investor approach.

Among the effects of the new Law are simplified procedures for M&A, and greater flexibility for companies to conduct business provided that it is not prohibited or restricted by law and provided that the business activities are notified to the Business Registration Office.

Future reforms

As the Law on Enterprise and Law on Investment were recently amended in 2015 and made substantial changes to ease the doing of business in Vietnam, it is unlikely that there will be reforms in the near future.

Decrees, circulars and decisions will continue to be published from time to time to provide guidance and details on the implementation of the laws.

Outlook for 2017

There is a surge in M&A deals in Vietnam with sharp increase in the number of deals and value of transactions.

The number of M&A deals in 2015 was reported to be 40% higher than 2014 with transactions valued at $5.2 billion.

In the first half of 2016, the M&A market recorded deals worth $3 billion.

With Vietnam's continuous effort in opening the market to foreigners consistent with its WTO commitment, GDP in Vietnam continues to grow and with the steady increase in household income, it is expected that the number of M&A deals will be much higher in 2017 and the prospect of M&A activity in Vietnam is positive and encouraging.

Our team

Our corporate and commercial partners are:

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ZICO | law

ZICO Law in Vietnam operates as a full service law firm with offices in Hanoi and Ho Chi Minh City. With a team of experienced lawyers managed by senior partners David Lim, Phuong Nguyen, and Phuc Nguyen, we provide business oriented legal solutions for local and foreign investors to develop their operations in Vietnam and beyond.

ZICO Law in Vietnam is a member firm of ZICO Law, a network of leading independent local law firms providing a power house of 300 lawyers in the region and a part of ZICO, an integrated network of multidisciplinary firms helping organisations and individuals succeed in ASEAN.

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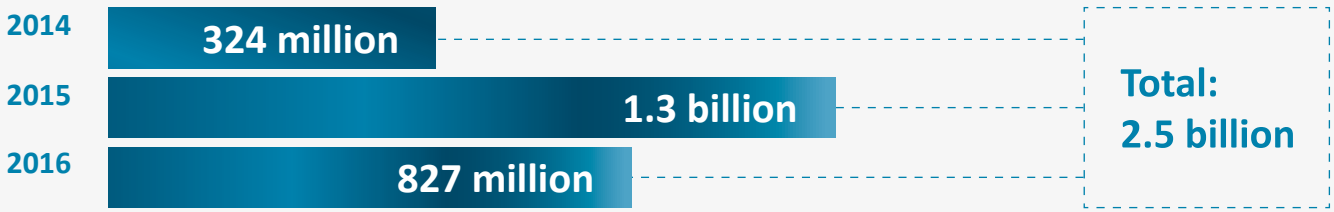
Inbound M&A activity (USD)



**Data extracted from mergermarket as of June 2017*

Other Jurisdictions

Canada

	Most active industries	Most encouraged industries	Common acquisition structures
	• Real estate • Metals and mining • Precious metals • Energy	• Manufacturing • Mining, oil and gas • Management of companies and enterprises • Finance and insurance • Wholesale trade	• Joint ventures • Incorporation of a "Special Purpose Acquisition Company" introduced in 2015 • Statutory plan of arrangement - which provides a high degree of flexibility in transaction structuring.
Investment Incentives	• Tax refunds and credits • Grants • Contributions • Financial assistance		
Foreign Equity Restrictions	There are generally no equity or foreign equity restrictions, however the Investment Canada Act does outline an investment review regime that must be followed for a foreign buyer to acquire a Canadian business.		
Licensing Requirements	The economy is largely open to inbound and outbound investment with no equity or foreign equity restrictions, however— • For projects with an environmental impact, both federal and provincial regulatory bodies have a regulatory approval process that needs to be followed. • The Investment Canada Act outlines an investment review regime that must be followed for foreign buyers to acquire Canadian businesses.		
Outlook for 2017	The following factors indicate a positive outlook for investment in Canada over the next year: i. Projected GDP growth in Canada is at 1.9% for 2016-2017; ii. Canada also ranks first in the G7 for lowest overall amount of taxes paid by companies; iii. lower Canadian dollar; iv. trend to bigger is better; v. mining industry on upswing; and vi. possibility of increased consolidation in the energy industry. The creation of the Special Purpose Acquisition Company investment vehicle and the changes to the take-over bid process could continue to encourage M&A activity in 2017.		

Recent reforms

Reformed take-over bid regime

The Canadian take-over bid regime has undergone significant reform since May 2016, the most significant of which being—

- Takeover bids must remain open for 105 days as opposed to 35 days (this period may be shortened if the transaction is supported by the target board)
- There is a minimum tender condition of more than 50% of the outstanding securities of the class that are subject to the bid
- After the expiry of the 105 days bid term, the bid must be extended by an additional 10 days if all terms and conditions of the bid have been complied with or waived and the minimum tender conditions are satisfied

Anticipated implications of the new rules include considerations related to bid activity; the future use of shareholder rights plans and other defensive tactics; the ability to lock-up blockholders; the role and duties of target boards; and proxy battle activity.

Spurring the renewable energy sector and sustainability

Moving forward, the renewable energy sector is expected to be spurred on by the federal government and various provincial government commitments will phase out fuel subsidies, intensify the approval process for energy projects and implement new climate change regulations.

Beginning 2018, a carbon tax of $10 / tonne will be implemented and will increase by $10 each year to a maximum $50 / tonne tax by 2022.

Canada is expecting to see an increase in infrastructure opportunities in the near future with the coming federal government budget increment by $5 billion CDN per year.

As one of Canada's top business law firms, Blake, Cassels & Graydon LLP (Blakes) provides exceptional legal services to leading businesses in Canada worldwide.

With offices in Toronto, Calgary, Vancouver, Montréal, Ottawa, New York, London, Bahrain, Beijing and associated offices in Riyadh and Al-Khobar, our integrated network of 11 offices worldwide provides clients with access to the Firm's full spectrum of capabilities in virtually every area of business law. For the past five years, Bloomberg and Thomson Reuters ranked Blakes as the No.1 Canadian firm for inbound M&A from Asia by deal value and by deal count.

We are well versed in the dynamics and economics of various ASEAN countries and have been fortunate to assist many companies from the region in their legal affairs in Canada and the Middle East.

About contributor

***Mike** is a Partner in the Blakes Energy group, recognized as a select top-tier energy practice in Canada by numerous ranking agencies, and is also Chair of the Blakes Asia Region initiative. He provides strategic corporate and energy advice to Canadian and international oil and gas companies, and has extensive experience negotiating, structuring, advising and opining on all aspects of conventional and unconventional oil and gas matters. He has in depth knowledge of the Canadian oil sands, liquefied natural gas, marketing in Canada, midstream and infrastructure issues, joint ventures, and the acquisition and divestment of assets and corporations. Mike is a director of a number of public and private companies and has extensive experience with a variety of business issues, including corporate strategy, M&A transactions, compensation and corporate governance matters.*

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Inbound M&A activity (USD)

**Data extracted from mergermarket as of June 2017*

China

	Most active industries	Most encouraged industries	Common acquisition structures
	• Internet services • IT • Manufacturing • Financial services • Energy • Mining	• Advanced manufacturing • High and new technology • Energy-saving and environmental protection • Modern services • Inland provinces	• Sino-Equity Joint Ventures • Sino-Foreign Cooperative Joint Ventures • Foreign Invested Enterprises • Joint stock limited companies with foreign investment • Build-operate-transfer • Foreign cooperative exploitation • Foreign-invested venture investment enterprises
Investment Incentives	In order to promote foreign direct investment, China has implemented the following preferential policies: • High-tech enterprises shall enjoy the preferential tax rate of 15% • Small enterprises shall enjoy the preferential tax rate of 20% • Foreign-invested enterprises located in the western region that are engaged in the encouraged industries of the state shall enjoy the preferential tax rate of 15% • Enterprises engaged in agriculture, forestry, animal husbandry and fishery industries can enjoy the reduction of or exemption from corporate income tax • Enterprises' equipment procurement and investment in environmental protection, energy and water conservation and safe production can be deducted from the taxable income, and • The newly established high-tech enterprises in the five Special Economic Zones and Shanghai Pudong New Area shall, from the tax year they obtain their first income of production and operation, enjoy a three-year tax reduction and two-year tax exemption period. Please note that the above list is not exhaustive. Preferential policies in China focus mainly on industrial and regional matters.		
Foreign Equity Restrictions	If the proposed M&A project falls under the restricted category, approval is to be obtained from the National Development and Reform Commission (NDRC). If on the other hand the transaction falls under the prohibited category, the transaction will not be allowed in China at all. That said, foreign equity restriction may be found in several sectors, namely — • In the shipping industry where foreign investors are restricted from holding more than 51% of the total shareholding; • The automobile industry where foreign investors are restricted from holding more than 50% of the total shareholding; • In the shipbuilding industry where foreign investors are restricted from holding more than 49% of the total shareholding. Do note that the requirements may vary between different restricted industries. The limitation on foreign ownership percentage has also been lifted in many sectors in recent times.		
Licensing Requirements	M&A projects which fall under the category of "encouraged industries" will need to file a record with the Ministry of Commerce (MOFCOM). Foreign investors are then required to apply to MOFCOM for approval to legally establish a company. Next, foreign investors are required to apply for a business license from the State Administration of Industry and Commerce or its bureau (AIC) which allows a company to operate its business. Once a license is obtained, the investor would need to register with China's tax and foreign exchange agencies and complete other secondary registrations. Please note that the actual implementation of China's foreign investment approvals may vary in specific cases. Note also that M&A transactions which fall under the restricted category are subject to a different set of approvals.		
Dealing with Local Regulators	Although China maintains a more restrictive foreign investment regime as compared to its other major trading partners, the Chinese government has continuously expressed that China welcomes foreign investments. On that note, China seeks to promote investment in higher value-added sectors, including high technology research and development, advanced manufacturing, clean energy technology and select modern services sectors. When dealing with local regulators, it is advised that the foreign investors' business strategy and industry focus are in line with government policies on foreign investment. Foreign investors should also be prepared to proactively engage with local authorities from time to time.		

Reforms

Previously, China would approve foreign investments on a case-by-case basis following review by multiple government agencies. This provided the government with discretion to macro-manage its economy in line with the objective of the State and promote investment in specific regions and restrict foreign investments deemed not to be in its national interest.

The revised Catalogue 2015 has since abolished the case-by-case approach and employed a list of encouraged, restricted and prohibited industries which companies may take part in. This categorization of industries is thought to encourage certainties and minimize the widely perceived (a misconception) red-tapes by the many government agencies. Companies that are involved in encouraged industries enjoy preferential policies such as tariff exemptions for imported equipment or limited tax incentives. Foreign companies engaged in restricted industries need to get pre-approval from the government and may also have a limit on the proportion of equity interest owned by the foreign entities. For industries that are not included in Catalogue 2015, foreign investors need only complete the filing procedures with the local governmental authorities.

The number of restricted sectors has since been revised and reduced sharply from 70 to 38. Moreover, limitation on foreign ownership percentages in many sectors has recently been lifted (i.e. the number of sectors requiring Chinese majority shareholding has decreased from 44 to 35).

The Catalogue 2015 is, in short, a step forward to improve the utilization of foreign investment in China.

Future reforms

In 2015, the Ministry of Commerce (MOFCOM) published a discussion draft on Foreign Investment Law that is expected to eventually supersede the laws currently governing China's foreign direct investment regime. The draft employs a "foreign investment special administrative catalogue" which adopts a negative list approach in identifying certain exceptions. This draft is expected to streamline the approval process for foreign investment in some sectors. When the Foreign Investment Law is eventually promulgated, the Investment Catalogue shall be replaced by the negative list.

Outlook for 2017

Although M&A activity in China had somehow lost its moment for the last quarter of 2016, the average quarterly amount of M&A for the first three quarters of the year 2016 has proven significant enough (RMB 719.7 billion) for listed companies to generally take interest in M&A activities in the region/

Currently, M&A has become the main approach for modern enterprises to achieve the purpose of diversification, horizontal integration and financial investment.

Following the economic slowdown and China's economy undergoing structural reform, there is an increasing demand for domestic enterprises in China to look for a merger or acquisition with the foreign enterprises. China has moved from a capital importer to becoming a capital exporter.

In relation to the M&A with the domestic enterprises in China, the focus will be on the sectors which are in line with the national interest and government policies, such as energy, information technology, consumer related industries, etc. IT and new energy is expected to remain as a hot industry for the coming year.

Moving forward, there is an expected increase in M&A in the media industry.

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GRANDALL LAW FIRM

Grandall Law Firm, previously known as "Grandall Legal Group" ("Grandall") was founded in June 1998. Approved by the Ministry of Justice of the People's Republic of China, Grandall is the first law firm authorised to use the name, "Legal Group". Being one of the largest trans-regional partnership law firms in China, Grandall has offices operating in Beijing, Shanghai, Shenzhen, Hangzhou, Guangzhou, Kunming, Tianjin, Chengdu, Ningbo, Fuzhou, Xi'An, Nanjing, Nanning, Jinan, Chongqing, Suzhou, Changsha, Taiyuan, Wuhan, Hong Kong, Paris, Madrid, Silicon Valley and Stockholm. Grandall is equipped with over 400 partners and a combined work force of approximately 1200 attorneys / professionals.

About contributor

- *Corporate, M&A & Restructuring*
- *Foreign Investments (Inbound & Outbound)*
- *Infrastructure, Power & Energy*

Will Fung

Inbound M&A activity (USD)

** Data extracted from mergermarket as of June 2017*

Germany

	Most active industries	Most encouraged industries	Common acquisition structures
	• Services (including real estate) • Chemicals • Pharmaceuticals • Financial services • Trade	In accordance with the country's general openness to foreign investment, there are no sectors which are particularly encouraged for investment. Foreign investors are subject to exactly the same conditions available to German investors.	• Local holding company • Foreign parent company • Non-resident intermediate holding company • Local branch • Joint venture
Investment Incentives	There are no special incentives that foreign investors might benefit from. An overview of existing incentive programmes open for any investor ranging from cash incentives to labour-related and R&D incentives can be found via Germany's foreign investment promotion agency, Germany Trade & Invest (GTAI).		
Foreign Equity Restrictions	Catch all rules in the Foreign Trade and Payments Act (AWG) and Regulations (AWV) apply whenever a foreign investor acquires a certain amount of nominal capital or voting rights in a German company active in a generally unregulated industry. In detail, the catch-all rules entitle the Federal Ministry of Economics to carry out a review of foreign investment if the foreign non-EU investor obtains at least 25% of the interests or voting rights in the German target company. The scope of the review is limited to violations of public order and security, namely national interest (e.g. ensuring the availability of supplies in times of crisis in the areas of telecoms, electricity, etc. and other services of strategic importance). The review is initiated by the ministry within a time frame of three months after signing. There is no obligation to notify by the investor. However, in order to increase transaction security in advance of the signing of a transaction that meets the 25% threshold, the investor may apply for a binding clearance. If the ministry does not initiate a review within one month after the filing of such a notification, clearance is deemed granted.		
Licensing Requirements	German law makes no distinction between domestic and foreign investments (i.e. in the regulated sectors such as broadcasting and banking, any investment is subject to review) except for specific requirements applicable to sensitive industries such as defense, encryption and satellite industries. In addition, as with any investor antitrust clearance from the German authorities or from the EU has to be obtained where applicable.		
Key Reforms	Since the introduction of the catch all rules in the AWG as described above in 2009 there have not been any significant reforms. In view of the upcoming general federal elections in September 2017, however, there is a possibility that the government may implement additional measures of control on foreign investment, specifically towards Chinese state-owned companies. However, it is unlikely that the increased protectionism in Germany would affect transactions from getting done reasonably within the country.		

Outlook for 2017

In general, M&A activity has increased significantly over the past few years and has almost reached pre-crisis record levels. Accordingly, the number of transactions with German target companies has also significantly increased. A recent trend is that the number of domestic transactions have jumped up (60% compared to 50% early 2012) and also the number of Euro-Zone purchasers (14% compared to 10% early 2012). Consequently, the number of foreign investors is comparatively low with just 26%, contrary to the headline coverage in the German press (all figures referred to are as of October 2016 from one of Germany's most renowned economic think tank ZEW based in Mannheim).

It is believed that the market will continue to be as active in the near future as it is was in 2016.

The so-called mid cap segment (commonly defined as a turnover or enterprise value of below EUR500m) will likely remain very competitive with domestic and foreign financial sponsors and strategic investors searching for suitable targets.

Additionally, with the so-called German Mittelstand as the backbone of Germany's economy, there are so many attractive potential target companies.

On the other hand, whether the very recent developments in light of a number of several multi-billion headline acquisitions of German targets by Chinese companies in recent years and particularly in 2016 (such as the acquisition of the equipment manufacturer Krauss-Maffei and the robotics maker Kuka) will lead to a further amendment of the AWG remains to be seen. What happened is that two recent takeover attempts of listed machinery installer Aixtron and Ledvance, a subsidary of Munich based lightning solutions provider Osram, led to action by the ministry. In the Aixtron takeover, the ministry revoked the clearance already granted in accordance with the AWG and reinstated the review. Such action was based on allegations that the private companies that acted as bidders were only acting as dummy for state-owned enterprises. Eventually, the takeover failed after the US President prohibited the acquisition of the US business following a recommendation of the CFIUS. At the same time, the German ministry announced a key issue paper for review of foreign investments on EU level and a separate national initiative. The debate has just started.

This said, regardless of whether or not Germany will see new amendments to the AWG, the fact remains that as long as the quantitative easing (QE) programme of the European Central Bank remains in place, it is hard to imagine companies discontinuing to consider organic growth as a favourable option.

Acquisition structures explained

- **Local holding company:** normally used when the purchaser aims to ensure that tax relief for interest is available to offset the taxable profits of the target or of other German companies already owned by the purchaser within a tax-consolidation scheme.
- **Foreign parent company:** may also be used by the purchaser who wants to perform the acquisition itself, possibly to shelter its own taxable profits with the financing costs related to the investment in the German target.
- **Non-resident intermediate holding company:** is an alternative option where the investor's country of residence taxes capital gains and dividends received from abroad. An intermediate holding company resident in another territory may be used to defer this tax and take advantage of a more favourable tax treaty with Germany.
- **Local branch:** additional taxes are not imposed on branch profits remitted to an overseas head office. The foreign enterprise is taxable as a non-resident taxpayer on income derived from the permanent establishments in Germany.
- **Joint venture:** operates either through a corporate entity or an incorporated entity. Partnerships are usually considered to provide greater tax flexibility.

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Rechtsanwälte

Oppenhoff & Partner is one of Germany's leading independent law firms with a wealth of experience stretching back more than a century. With a team of about 70 lawyers, based in Frankfurt and Cologne, we advise on all major aspects of corporate and commercial law. Our clients are large German and international corporations, financial investors as well as medium-sized companies and family-owned businesses.

www.oppenhoff.eu

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***Dr Markus Rasner** is a partner at Oppenhoff & Partner. Markus is part of Oppenhoff's Mergers & Acquisitions Practice Group and has extensive expertise in advising on all aspects of complex private and public corporate transactions. Over the past 15 years, he has built a significant track record in advising strategic and financial investors on numerous cross-border mid-cap (up to € 500m) transactions. His practice focuses on clients from China and the ASEAN region on their investments in Europe. He has frequently been recommended by various directories for M&A and regularly speaks and publishes on current topics in M&A and private equity. Prior to joining Oppenhoff, he was a partner with another German law firm. In 2008/09 he worked as a foreign attorney with a leading local law firm in Singapore.*

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Inbound M&A activity (USD)

**Data extracted from mergermarket as of June 2017*

Hong Kong

	Most active industries	Most encouraged industries	Common acquisition structures
	• Financial services • Trading and logistics • Tourism • Healthcare • Innovation and technology	• Innovation and technology, R&D • Cultural and creative industries • Education services • Medical services • Environmental industries and testing and certification services	• Limited companies • Partnerships • Sole proprietorships • Branch offices
Investment Incentives	Hong Kong has a low tax regime (profits tax is capped at 16.5% and both the interest income received from bank deposits and dividends received from corporation are exempt from profits tax). Besides that, Hong Kong does not offer targeted incentive regimes to overseas investors or foreign owned firms in particular, though there are activity or sector-specific investments, such as— • Concessionary profits tax rates for corporate treasury centres and open-ended funds; • Special tax deductions for R&D expenses, payments for technical education, purchase of patents and other IP rights; • Special tax deductions for building refurbishment expenses and capital expenditure on manufacturing machinery and computer hardware / software; • Stamp duty concessions for exchange traded funds; • Various government funds including the Innovation and Technology Fund, Patent Application Grant and Social Innovation and Entrepreneurship Development Fund; • The Hong Kong Science & Technology Parks Corporation's incubation programmes, which provide subsidized office spaces, consultancy services, investment matching and financial aid packages to support R&D.		
Foreign Equity Restrictions	Only a few industries are restricted from foreign investment. That said, there are no foreign exchange control rules. Foreign ownership is limited to 49% in respect of a few sectors such as broadcasting and cable operations.		
Licensing Requirements	The following industries are subject to regulatory approval — • Banking and deposit-taking • Money lending • Regulated activities such as securities dealing / advisory, leveraged foreign exchange trading, asset management, futures contracts dealing / advisory, providing automated trading services, providing credit rating services • Air passenger / cargo transportation • Telecommunications / broadcasting • Operating hotels, guesthouses and residential care homes • Operating food / liquor businesses • Operating places of public entertainment, bathhouses, swimming pools and funeral parlours		
Dealing with Local Regulators	The regulators in Hong Kong are generally very professional and efficient. Partly as a result of increased Chinese and foreign investment interest in Hong Kong securities firms (e.g. brokerages, securities dealers and asset / fund managers) over the last 2 years, the Securities and Futures Commission (SFC) is now conducting more rigorous assessments of applications to acquire securities firms, especially those by non-local entities. The Hong Kong Exchanges and Clearing Limited (HKEx) and SFC are also more cautious when handling transactions involving listed companies to prevent companies from circumventing the listing rules and reverse takeover requirements.		

Reform

The March 2014 amendment of the Companies Ordinance has eased the doing of M&A transactions in the country in that intra-group mergers are now allowed without involving the court, hence facilitating group restructurings. Additionally, companies can now reduce their share capital without involving a costly and drawn-out court process.

Future reforms

Moving forward, the Hong Kong government is in the process of negotiating a Free Trade Agreement (FTA) with the Association of Southeast Asian Nations (ASEAN). These arrangements are due to be completed by the end of 2016. The Free Trade Agreement is generally good for the M&A landscape in Hong Kong as it deals with matters such as rules of origin and liberation and trade services as well as promotion and protection of investments.

Besides that, Hong Kong is currently undergoing negotiations on several Comprehensive Double Taxation Agreements (DTAs) with Bahrain, Bangladesh, Finland, Germany, India, Israel, Latvia, Macao SAR, Mauritius, Pakistan, Romania, Russian Federation and Saudi Arabia.

The HK-Shenzhen Stock Connect is also expected to be implemented by the end of 2016. The currently-running HK-Shanghair Stock Connect enables foreign investors to gain access to shares listed in Shanghai. The addition of Shenzhen to the Stock Connect programme is expected to further encourage foreign and Chinese investors to set up or acquire securities firms in Hong Kong to take advantage of the increased capital flows between Hong Kong and China.

Further liberalization of the Mainland and Hong Kong Closer Economic Partnership Agreement (CEPA) may grant Hong Kong firms access to even more restricted investment sectors and simplify administrative procedures for investment.

Outlook for 2017

Hong Kong is expecting the M&A market to remain busy in 2017—with acquisitions involving Chinese companies most likely being a dominant theme.

Approximately 60% of China's outward direct investment flows through Hong Kong, which is a preferred service platform for Chinese enterprises investing outside of China. Combined with the momentum of the One Belt One Road Initiative, investment interest in professional services, consultancy and finance companies are also expected to rise.

More M&A activity is expected in Asia and particularly in Hong Kong for financial sector-related M&A in the wake of political and economic uncertainty resulting from Brexit and the US election results. CEPA – which allows Hong Kong firms to participate in sectors that are otherwise still subject to restrictions concerning total foreign ownership in China – may drive M&A in Hong Kong.

Restructuring and spin-off activities by family businesses and domestic conglomerates in Hong Kong is expected to continue as they streamline operations and focus on their core profit-generating business.

Lastly, as Hong Kong positions itself as a hub for financial technology companies to invest in, investment interests in and between providers of financial technology and other sector participants is expected to increase.

About contributor

Brett Stewien *is a partner of the Hong Kong office of Addleshaw Goddard. He leads their mergers and acquisitions practice in Asia. Brett specialises in Hong Kong and pan-Asian mergers and acquisitions, joint ventures and corporate finance and banking transactions. Brett has practised in Hong Kong for more than 16 years and is admitted in Hong Kong, England and Wales and Victoria, Australia.*

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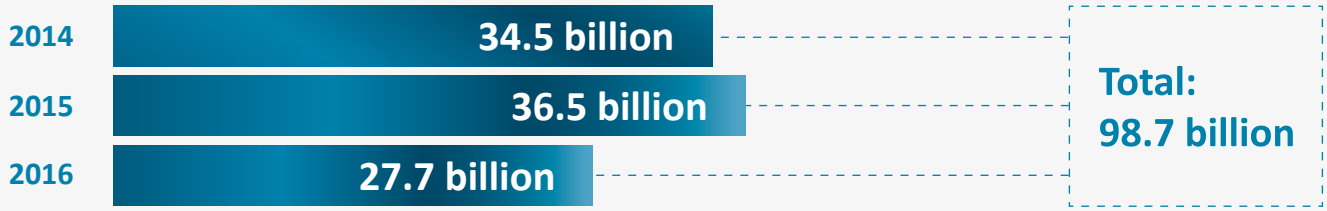
Inbound M&A activity (USD)



**Data extracted from mergermarket as of June 2017*

India

	Most active industries	Most encouraged industries	Common acquisition structures
	• Technology • Retail and consumer products • Infrastructure • Health care • Financial services • Energy and natural resources	• Defense • Construction development • Pension and insurance • Asset reconstruction Railway infrastructure • Pharmaceuticals • E-commerce • Cutting-edge technology • Broadcasting	• Acquisition of shares • Transfer of business • Court approved mergers • Amalgamation
Investment Incentives	• Simplified foreign direct investment conditions in at least 15 sectors. • Increased sectoral limits for existing sectors, for intance, in the defense sector, the government has allowed foreign direct investment of up to 49% under approval routes in cases resulting in access to modern technology in India. Up to 100% FDI has been permitted under automatic routes in completed projects for operation and management of townships, malls, etc. • Possible introduction of a residency permit policy which would allow key executives of foreign companies making investments worth US$ 2 billion or more to take advantage of various facilities such as special package on upscale housing, residency permits allowing long stay in the country and cheap rates for utilities. • Dedicated Japan, Korea, China, Canada, US cells to facilitate and speed up investment proposals and augment economic ties between India and the said countries. • Most Favoured Nation (MFN) treatment to 15 countries that are in talks regarding an agreement on the Regional Comprehensive Economic Partnership (RCEP).		
Foreign Equity Restrictions	• FDI policies have ascertained certain “prohibited sectors”, such as gambling, atomic energy and agricultural activities. • The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 regulates foreign shareholding in asset reconstruction companies.		
Licensing Requirements	• Prior approval by the Government of India (“GOI”) is required for foreign investment done through the Government route. After the abolition of the Foreign Investment Promotion Board (FIPB), on June 5th, 2017, the concerned administrative Ministries / Departments will consider proposals for foreign investment under this route. FDI proposals must now be filed online for government approval on the Foreign Investment Facilitation Portal which will be transferred to the concerned Administrative Ministry / Department within 2 days. The proposal shall be circulated by the DIPP to the RBI, Ministry of External Affairs, and the Department of Revenue for their comments, and be scrutinized by the concerned Administrative Ministry / Department within six to eight weeks. The approval or rejection of the proposal shall be communicated online to the applicant within the next two weeks. • If the inflow under the Government route is more than INR 5,000 Crore, the same is subject to a prior approval of the Cabinet Committee on Economic Affairs (CCEA). • Entities bringing in foreign equity investments for pension funds are required to register with the Pension Fund Regulatory and Development Authority and comply with the provisions in the Pension Fund Regulatory and Development Authority Act 2013.		

Reforms

i. Pro-business stance of India’s newly elected government - FDI relaxations in various sectors (such as defence, railway infrastructure and insurance) as well as the introduction of ‘composite caps’ for various forms of foreign investments (FDI, FII, FPI, etc.)

ii. Relaxation on Minimum Alternate Tax (“MAT”) - a fixed percentage tax to be paid by all companies on their book profits. In September 2015, GOI issued a clarification that there will be an exemption on the payment of the MAT by foreign companies which do not have a permanent establishment in India.

iii. Replacement of current tax regime by the Goods and Services Tax regime (GST). The Central GST Act, 2017 (“CGST Act”), the Union Territory GST Act, 2017, the Integrated GST Act, 2017 (“IGST Act”) and the GST (Compensation to States) Act, 2017 have been passed by the Parliament of India. The GST is set to be implemented in India from July 1st, 2017. The GST regime will simplify the indirect taxation structure and encourage M&A transactions.

iv. RBI’s proposal to relax the restrictions on domestic banks for financing M&A transactions.

v. Plans to relax the pricing norms for FDI as well as ease several sector-specific caps.

vi. Attempts to address the concerns over uncertainties on tax positions, transfer pricing adjustments, multiplicity of indirect levies and stamp duties through Place of Effective Management Rules (PEOM), and General Anti-Avoidance Rules (GAAR) which will be made applicable in subsequent years.

vii. Direct Tax Dispute Resolution Scheme which provides an opportunity for settlement of cases emanating from retrospective amendment of tax laws, by asking companies to pay the basic tax demand and get a waiver on interest and penalty.

viii. Reduce the corporate tax rate from 30% to 25% over the next 4 years.

ix. The constitution of the National Company Law Tribunal ("NCLT") and the National Company Law Appellate Tribunal under the Companies Act, 2013 in June 2016, where the NCLT will be the sanctioning authority for M&A proposals. The constitution of the NCLT will help in easing the burden on courts and help companies facing issues relating to winding-up, mismanagement and insolvency of businesses.

x. The Companies Act, 2013 introduces certain new types of mergers such as the fast track mergers and mergers between listed and unlisted companies. The Act also provides for cross-border mergers, in particular outbound mergers which have been made permissible for the first time in India under the Act subject to conditions listed in the Act and the Companies (Compromise, Arrangements and Amalgamations) Amendment Rules, 2017.

xi. The Companies Act, 2013 also allows approval of the M&A scheme by shareholders or creditors through postal ballots which was not envisaged under the old Act.

Outlook for 2017

The GOI is taking active measures to make India a free market economy. In light of this, the GOI has implemented regulatory reforms such as the new Companies Act and the Bankruptcy Code, so as to enable foreign investors to conduct business in India with ease.

Further, the GOI is actively taking steps to facilitate 'Ease of Doing Business' in India and has introduced various initiatives such as "Make in India", "Start-up India", "Digital India", etc. In line with such initiatives, the GOI has eased the regulatory environment in terms of foreign investment and has taken steps to make it more investor-friendly by opening new sectors for FDI, increasing the sectoral limit of existing sectors and simplifying other conditions of the FDI policy.

Such activities have impacted M&A activities in India and an upward trend has been observed since 2013 and the same rising pattern is expected in 2017.

Saikrishna & Associates is an IP, TMT & General Practice Law Firm from India with focused Corporate law & Competition law verticals backing up the firm's IP practice areas. Founded in 2001, the firm's 10 partners and 80 Lawyers deliver top-notch, innovative & dedicated services to a diverse array of Indian and International clients.

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The firm is highly ranked for its industry and domain specific expertise spanning sectors such as Media & Entertainment, Telecommunications, Pharmaceuticals / Life Sciences, Software & Technology, Automotive and Automotive ancillaries, Real Estate and Renewable Energy.

About contributor

Mr. Nikhil Sahni:
Partner with the firm, leading the Corporate Practice, Nikhil is a corporate / commercial specialist having assisted and advised clients in relation to, Incorporation & Corporate Compliance issues, Joint Ventures, Foreign Investment Regulations, Private Equity / Venture Capital Investments, Business Transfers, Asset Purchases, Labour / Employment Laws, Real Estate and Distribution, Franchise arrangements etc. Nikhil was recommended by Chambers & Partners in 2009 for legal advice to various bidders in the power sector with respect to power projects (Solar, Hydro & Thermal) and for the legal advice in the real estate sector to investors and real estate developers.

Ms. Suvarna Mandal:
Suvarna specializes in intellectual property law, media and entertainment law, general advisory, transactions and commercial litigation. Suvarna also advises clients in relation to various regulatory and trade compliances.

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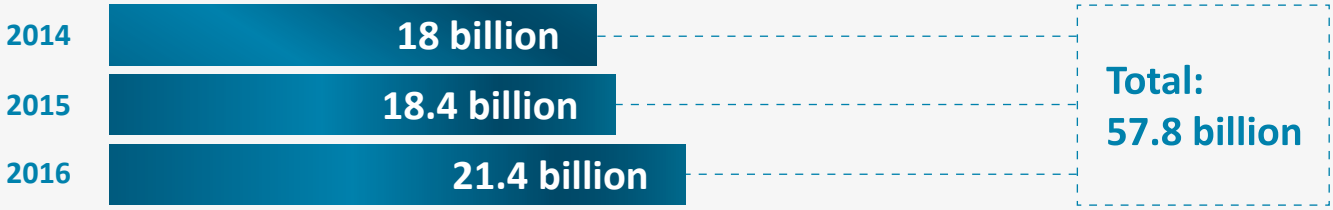
Inbound M&A activity (USD)



**Data extracted from mergermarket as of June 2017*

Japan

	Most active industries	Most encouraged industries	Common acquisition structures
	• Financial services • Software and IT • Sales and distribution • Electronics	• Medical and healthcare services • Energy • Agriculture • Gaming	• Share acquisitions • Offer bids • Third party allotment
Investment Incentives	Following recent tax reforms, Japan offers corporate tax reduction wherein the effective tax rate for corporations in Japan has been lowered from 34.62% in 2014 to 29.97% in 2016, with a further reduced rate of 29.74% scheduled for 2018. Industries undergoing or expecting deregulation include the following: i. Medical and healthcare sector: A fast-track approval system is currently being planned in respect of regenerative medicine. Regulators are also looking to eliminate the delay between approval being obtained for usage in Japan in respect of drugs that have already been approved abroad and the like; ii. Energy sector: The electricity retail market in Japan was liberalized in 2016 to permit participation by new power suppliers. This has been followed by the opening up of the gas retail market to new gas providers in 2017; iii. Agricultural sector: The criteria for legal entities eligible to hold agricultural land were relaxed in 2015; and iv. Gaming sector: The Japanese House of Representatives and the Japanese House of Councilors have just passed the "Casino Bill" in December 2016, which is a significant step toward legalizing casinos in Japan.		
Foreign Equity Restrictions	Foreign equity restrictions and registration requirements apply to foreign investments in certain industries in Japan, including the telecommunications, aviation and certain freight forwarding industries. These restrictions are set forth under specific legislation regulating these industries.		
Licensing Requirements	Under the Foreign Exchange and Foreign Trade Act of Japan, post-factum reports are in principle required to be filed with the relevant ministry via the Bank of Japan in respect of foreign investments in Japanese companies. Additionally, prior notifications should be given to the relevant ministry via the Bank of Japan for proposed foreign investments in certain sensitive sectors such as nuclear, energy, and defense.		
Dealing with Local Regulators	Merger filing with the Japan Fair Trade Commission is required for M&A transactions (including share acquisitions) exceeding certain thresholds. The JFTC also recently required conditional clearance to be obtained for minority investments exceeding 20% shareholding. Accordingly, it is necessary to be mindful of any conditions the JFTC might impose even in the case of minority investments.		

Reforms

The key recent regulatory reforms are the amendments to the Companies Act promulgated in May 2015. The main Companies Act amendments affecting M&A include —

- Introduction of a more straightforward squeeze out process by way of share consolidation;
- Enabling a shareholder with 90% or more shares in a company to request, through the company, for the minority shareholders to sell their shares to the controlling shareholder.

Additionally, the erstwhile requirement for representative directors of a Japanese company to maintain a residence in Japan has been abolished since March 2015. Accordingly, persons residing outside Japan are now permitted to serve as representative directors of companies in Japan. This has made it easier for foreign investors in M&A transactions to use Japanese SPCs as acquisition vehicles.

Future reforms

No reforms targeted at stimulating M&A activity are currently in the pipeline.

Outlook for 2017

Japanese investments in Southeast Asia, which have been on the rise, are expected to continue on an upward trend in 2017. This includes investments in Myanmar where the Japanese government has helped to establish a stock exchange.

The increase in Japanese investments in Southeast Asia corresponds to the shift of Japanese investments from China. The recent downward trajectory of Japanese investments in China is expected to continue into 2017.

M&A activity in the medical and healthcare industry – which has been robust in 2016 – is expected to remain strong in 2017.

ANDERSON MŌRI & TOMOTSUNE

Anderson Mori & Tomotsune is a full-service law firm and one of the largest law firms in Japan. Our main office is in Tokyo. We also maintain offices in Nagoya, Beijing, Shanghai, Singapore, Ho Chi Minh City, and Bangkok, and operate a Jakarta Desk.

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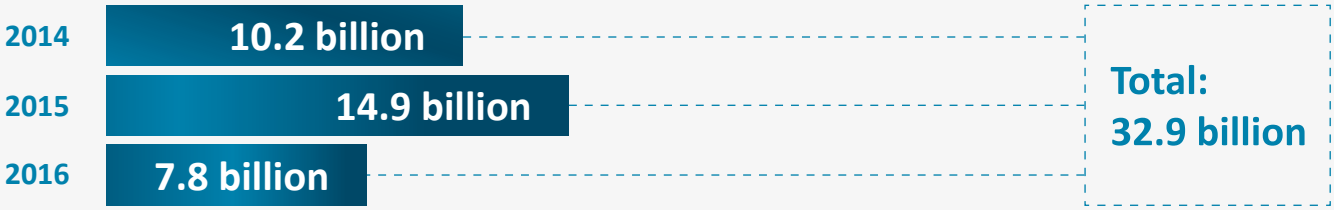
Inbound M&A activity (USD)



**Data extracted from mergermarket as of June 2017*

New Zealand

	Most active industries	Most encouraged industries	Common acquisition structures
	• Food related sectors • Aged care and retirement sectors • Education sector	• Infrastructure • Urban residential development • Early stage technology R&D	• Limited liability companies • Limited partnerships • New Zealand trust structures
Investment Incentives	• Focus of government spending • Reduced/expedited compliance and consenting • Government sponsored investment funds • Grants • Tax credits		
Foreign Equity Restrictions	A recent amendment to the Companies Act requires all New Zealand companies to have at least one director who lives in New Zealand or a director who resides in Australia and is a director or an Australian company. A similar recent amendment to the Limited Partnership Act 2008 requires at least one general partner (who is a natural person) in a limited partnership to adhere to the same residential requirements. Recent changes to the financial reporting regime will have to be adhered to. All “large” overseas companies are required to register financial statements under the Companies Act and the Financial Markets Conduct Act. A company is large under the Financial Reporting Act if it has $20 million in assets, or if its total revenue exceeded $10 million within the past two accounting periods. Otherwise, a New Zealand or overseas company may be a general partner.		
Licensing Requirements	Generally, consent is not required for foreign investment in New Zealand unless the transaction falls within the scope of the Overseas Investment Act. If the investment results in an overseas person acquiring “sensitive land”, “significant business assets” or “fishing quota”, consent will be necessary. While there are no specific equity restrictions or foreign equity restrictions, there are heightened concerns surrounding foreign investment in NZ land assets, in particular, farmland and existing residential housing. Greater compliance requirements have been imposed on foreign buyers in real estate. We note that the major NZ banks have voluntarily begun to restrict lending to foreign persons looking to invest in New Zealand residential housing.		
Dealing with Local Regulators	For the better part of 15 to 20 years, the economic landscape in New Zealand has been highly deregulated and liberalised. It is only recently, with the overhaul of financial markets legislation, that there is greater scrutiny from regulators. Therefore, while the regulatory scrutiny is still light by international standards, there has been a tightening by the regulatory bodies in terms of the monitoring of M&A investments and transactions which require overseas investment approval. The scrutiny includes the quality of the investor and the investment being made, with a particular commitment to creating jobs and value for the economy.		

Foreseeable reform to ease M&A transactions in New Zealand

None. In fact, there have been tighter controls and stricter interpretation of financial markets legislation, financial reporting legislation and anti-money laundering legislation. These regulatory monitoring provisions are usually focussed on the merits of the transaction.

We do not foresee any changes or reforms that will assist with the encouragement of M&A activity. Rather, it might be that increased scrutiny could lead to more stringent reforms around the monitoring of M&A transactions and investments.

Outlook for 2017

We foresee strong activity in the aged care and retirement care sectors, as well as the infrastructure sectors (energy, transportation, telecoms, etc).

In particular, implementation of Public Private Partnerships (PPP) to improve the focus on and delivery of service outcomes from major infrastructure assets. PPP's provide foreign investor confidence because the project agreements provide clarity, consistency and certainty.

Strong private equity interest bolstered by newly raised Australian and New Zealand funds could also potentially bring more competition to the NZ market and increase benefits to NZ vendors.

We also foresee continued demand for NZ assets from China (i.e. residential housing and fresh food produce), and general offshore interest stimulated by the weakening NZ currency but counteracted by general uncertainty in global markets.

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CORPORATE LAW

Anderson Creagh Lai Limited is a medium sized business and commercial law firm in Auckland City, New Zealand. It specialises in offering business, litigation and property clients a better level of direct, senior lawyer to client service. ACL covers general corporate, commercial and business law areas well and have developed deep competence in essential areas of corporate and commercial law such as dispute resolution, property, technology and aspects of intellectual property.

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Inbound M&A activity (USD)

** Data extracted from mergermarket as of June 2017*

Russia

	Most active industries	Most encouraged industries	Common acquisition structures
	• Production • IT and technology, media, telecommunications • Natural resources • Pharma • Infrastructure • Agricultural industry • Banking • Special Economic Zones • Advanced Development Territories • Industrial parks and clusters • Free Port of Vladivostok		• Acquisition of shares • Joint venture • Public take-over bids which include: i. Voluntary public offers ii. Mandatory public offers and iii. Squeeze outs*
Investment Incentives	• Simplification of formal procedures • Easier facility procurement • Easy and comprehensive access to technologies, infrastructure and resources required for production • Reduction, or exemption from, tax burdens as well as other tax benefits • Special customs regimes both for import and for export • Possible application of 'grandfather clause' • Simplified migration regime • Provision of public services through 'one-stop office' managing company		
Foreign Equity Restrictions	• Foreign companies are restricted from carrying out direct / indirect acquisition of more than 25% in sectors of the Russian economy that are considered to be of strategic importance, i.e. publishing, broadcasting, possessing a status in an editorial board, etc. • Foreign companies are prohibited from acquiring subsoil areas of federal importance • Only companies established on the Russian Federation have a right to use subsoil plots of federal importance • Foreigners are restricted from procuring vital and essential drugs for state and municipal needs • Foreigners are restricted from acquiring agricultural lands and lands of border areas in the Russian Federation. Investors may only hold agricultural lands and lands of border areas on lease		
Licensing Requirements	• Acquisition of control of infrastructure having strategic importance is subject to Russian state clearance • Regulatory and licensing hurdles in the following sectors: i. Technology, Media & Telecoms ii. Natural resources iii. Pharmaceuticals iv. Infrastructure v. Agriculture		
***Public Takeovers**	Public takeover offers may be done through — • Voluntary public offers – these are voluntary acquisitions of those wishing to acquire 30% or more of the voting shares in an Open joint-stock company (OJSC) / Public joint-stock company (PJSC) through a public offer before the threshold stock acquisition has been completed; • Mandatory public offers – similar to voluntary public offers but made after the acquisition of a 30% or more stock • Squeeze-outs – mandatory offers in cases of acquisition of more than 95% of stock of an OJSC / PJSC company There exist strict rules governing mandatory public offers, squeeze-out and buyout procedures, as well as the share purchase-price determination applicable in these procedures.		

Outlook for 2017

Global tendencies, economic sanctions imposed on Russia and depreciation of the Russian Ruble resulted in an acute need for the Russian economy to access new financial markets, increase in incoming external investments, improvement of the investment climate and growth in number of internal M&A deals. These have also caused Russia to follow an import substitution policy, which resulted in certain industries being either completely inaccessible, or very difficult to compete in by foreign producers.

All the above-mentioned reforms result in a shift in choice of law in favor of Russian legal system for domestic and inbound M&A transactions and investments. Russia increasingly becomes compliant to the best world practices, becoming more flexible and providing better opportunities to the expanding demands of the market.

Where the near future is concerned, it is expected that the trend on increasing distress transactions will continue throughout 2017 given the introduction of new sanctions / protection measures.

It also goes without saying that the Russian labour force has become cheaper and acquisitions have been made easier due to the currency shift. All of this invites many leading producers to establish their manufacturing powers in Russia and use them for exporting activities.

It is also expected that Russia will see an increased concentration of transactions around its Far East region now that new investment zones such as industrial parks and clusters have been established in that area, primarily.

Key reforms

Recent reform of the Civil Code. Amendments to the Civil Code were adopted in seven parts. The latest major set of amendments to the Civil Code came into force on 1 June 2015. The reform introduces a number of civil law instruments that have already been widely used in other jurisdictions such as, "warranties", "indemnities", possibility of "waiver of right", etc.

This is only a small part of the reform. In the course of the past several years, literally every third article of the Civil Code underwent changes or was completely reinstated or deleted.

This new set of civil law rules reenacted the concept of "option agreements" while the legislation was amended in order to allow conclusion of "option agreements" in M&A transactions.

The Civil Law reform also disallows courts from reducing the size of the contractual penalties upon its discretion. Such reduction is subject to the other party's respective claim and the clarity of evidence proving the existence of an explicit disproportion between the claimed penalties and incurred damages.

Besides that, another notable development relevant to the regulation of M&A activities in 2016 is the new legislation on international and domestic arbitration replacing previous law in its entirety.

The new laws on arbitration are focused on alignment itself with the UNCITRAL Model Law by means of —

- adopting more flexible approaches to the form and contents of the arbitration agreement
- introducing clear-cut rules on arbitrability of different types of disputes;
- expanding the list of "arbitral" issues
- improving communications with the court, arbitration tribunal and arbitration
- institution both in procedural and material aspects

Other expected reforms to ease M&A activities:

- New legislation providing better access to M&A instruments and tools (stricter rules securing minority shareholders, deadlock management instruments, etc)
- New rules on corporate approval of transactions
- Improvement of EPC legislation and further liberalization of the construction market

ALRUD serves clients across a range of industries including energy and natural resources, mining, banking and finance, consumer goods and retail, investment management, government and public services, healthcare, life sciences and chemicals, industrials, technology, media and telecoms, transport and logistics.

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Inbound M&A activity (USD)

** Data extracted from mergermarket as of June 2017*

Korea

	Most active industries	Most encouraged industries	Common acquisition structures
	• Semiconductor • Information Technology and Telecommunication • Petrochemical • Pharmaceutical and Medicines	In accordance with the country's general openness to foreign investments, foreign investors are subject to the equivalent conditions available to Korean investors.	• Share transaction • Business or asset transaction • Joint venture
Investment Incentives	The Foreign Investment Promotion Act and the Special Tax Treatment Control Act provide certain tax incentives for the benefit of foreign investors who make qualified investments in Korea, including a foreign investment that is made in research and development activities or in core technologies. Further, the Foreign Investment Promotion Act makes it procedurally easier for foreign investors to invest in Korea.		
Foreign Equity Restrictions	Korean law makes no distinction between domestic and foreign investments in principle. Out of a total of 1,145 business categories listed under the Korean Standard Industrial Classification (KSIC) system, foreign investment is only restricted in 60 business categories including, public administration, diplomacy, national defense, nuclear power generation and radio broadcasting and television broadcasting.		
Licensing Requirements	Foreign investors are subject to the same licensing requirements as Korean investors, subject to any foreign investment restriction imposed discussed above.		
Key Reforms	In order to improve the competitiveness of companies in Korea, the Special Act on the Corporate Revitalization (the "Special Act") was enacted and became effective on August 13th, 2016. The Special Act is a temporary law which is effective for three years. The Special Act provides for simplification of organizational restructuring process required by relevant laws such as the Commercial Law and tax benefits and financial support for a company which operates in and other deregulations for a company which operates in an "oversupply industry" (an industry that is expected to deteriorate due to an increase in supply or a decrease in demand considering the domestic and overseas market conditions) is approved by the relevant authorities. As of January 2017, the relevant authorities have approved the business reorganization plans of 19 companies in 8 industries: shipbuilding, offshore plant, steel, non-ferrous, petrochemical, machinery, textile, and solar cell. More companies are expected to proceed with business reorganization based on the Special Act in the future.		

Outlook for 2017

The Korean M&A market shows the trend of rapid growth from 2012 to 2015 with the average annual increase of 43.7%. The market constitutes under 9.4% of the entire Asia regions' M&A market with its trade volume reaching $87.5 billion in 2015. This led the Korean M&A market to emerge as the third market in Asia excluding Japan, after China with $486.9 billion and Hong Kong with $140.8 billion.

In 2015, while the total amount of foreign companies' M&A investment in Korean companies (inbound investment) was increasing, the total amount of Korean companies' M&A investment in foreign companies (outbound investment) was on the decline. In particular, investment in Korea from China and Hong Kong was $1.6 billion, which represented an increase of 92.9% over the previous year with $837 million and accounted for 23.9% of total inbound investment.

In 2016, the total amount of Korean M&A transactions was $46.8 billion. This represented a decrease of 40% from the previous year due to the absence of large deals worth more than $10 billion. It seems that the result was attributable to the then complicated political situation in Korea, involving the impeachment of the then president of Korea, in addition to the persistence of the unstable Korean economy and the possibility of an increase in interest rate.

A remarkable fact about the recent Korean M&A market is that the proportion of M&A transactions involving private equity funds (PEFs) has surged. The proportion of transactions involving PEFs in the Korean M&A market has increased from 9% in 2005 to 44% in 2013. Considering the shrinking investment activities of Korean companies and the pension funds' high interest in investment in PEFs, this movement is expected to continue.

However, the Korean M&A market is expected to be affected in 2017 by the continuing global economic downturn and pressure on companies to go through restructuring and/or business reorganization and enter new industries with a high growth potential.

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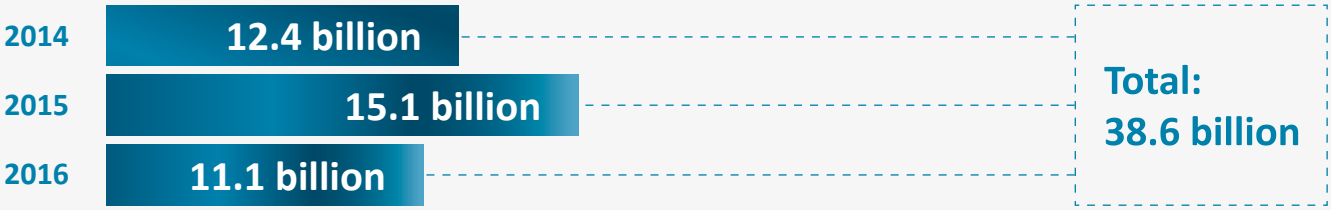
Inbound M&A activity (USD)



** Data extracted from mergermarket as of June 2017*

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