

M&A in Asia:
Due Diligence
Considerations

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Geography of Asia



Financial Considerations

- 1) Accounting treatment
 - a) Accounting standards of Target
 - b) Different sets of books kept by Target
- 2) Tax regimes in different countries
 - Corporate Tax, WHT, others
- 3) Competency of Target's accounting team
- 4) Need for audit, and calibre of Target's auditor

Financial Considerations

5. Issues requiring special consideration
 - a) Proper title to properties & assets
 - b) Existence of real and good order inventory
 - c) Collectability of trade debts
 - d) Inflation of or fictional sales
 - e) Authenticity of expenses
6. Foreign exchange issues

Legal Considerations

- 1) Foreign ownership restrictions and approvals
 - Consider Acquirer's compatibility with Target
- 2) Specific legislation regarding Target's industry
 - Determine clarity and *enforceability* of laws
- 3) Review Target's significant documents
- 4) Target's statutory filing requirements

Legal Considerations

- 5) Profit repatriation and reserve restrictions
- 6) Foreign exchange issues, i.e. exchange limits
- 7) Employment issues
 - a) Work permits
 - b) Requirements to employ local staff
- 8) HSSE compliance
- 9) Concessions applicable if foreign-owned

Operational Considerations

1) Organisation

- a) Local hiring requirements
- b) Target's group structure
- c) Internal processes, i.e. reporting structure

2) Human Resources

- a) Communication channels
- b) Remuneration, policies, hidden costs
- c) Identify strong unions, militant workforces

Operational Considerations

3) Infrastructure

- a) Assets: Property, equipment and vehicles. Review ownership titles and financing arrangements.
- b) Assets: Review age and relevancy of equipment and software. Calculate replacement costs.
- c) IT: Hardware and operating systems. Be vigilant for pirated software and licensing issues.

Other Considerations

- 1) Economic Conditions
 - a) Supply chain considerations
 - b) Volatile/externally dependant economy
 - c) Corruption
 - d) Exchange rate fluctuations
- 2) Political Climate
 - a) Political instability
 - b) Reversal of policies

Other Considerations

3) Social Factors

- a) Religious and racial tensions
- b) High unemployment/large income gap
- c) Corporate social responsibility

4) Geographic Location

- a) Local climactic conditions and propensity for natural disasters

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Thank you for your kind attention, please approach us
with any queries you may have.