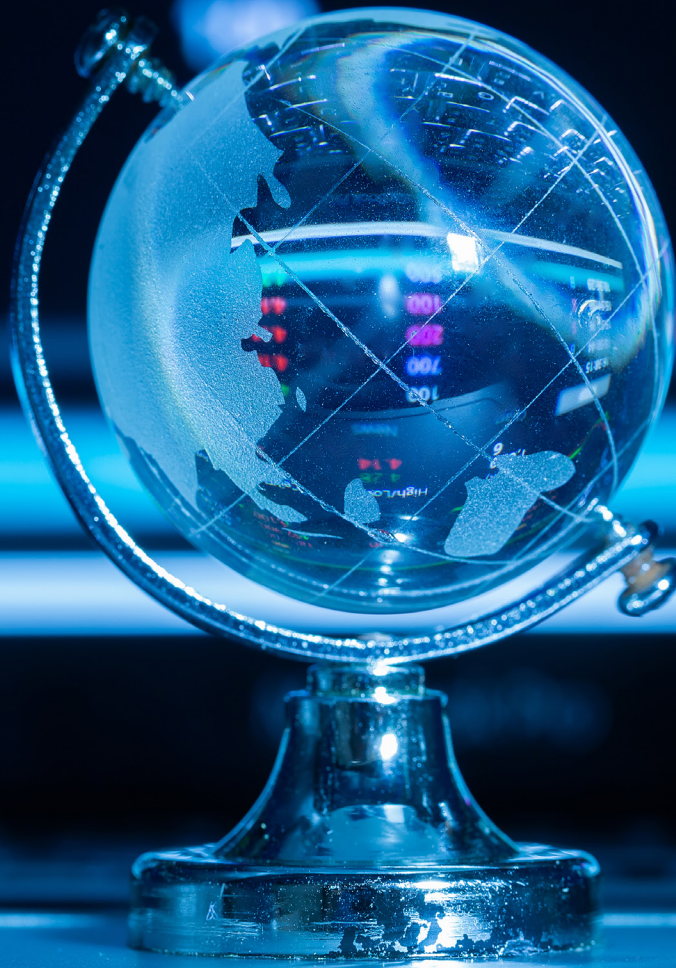


LEGAL UPDATE

May 2024



IPO RESTRUCTURING INSIGHTS

RHTLaw Vietnam

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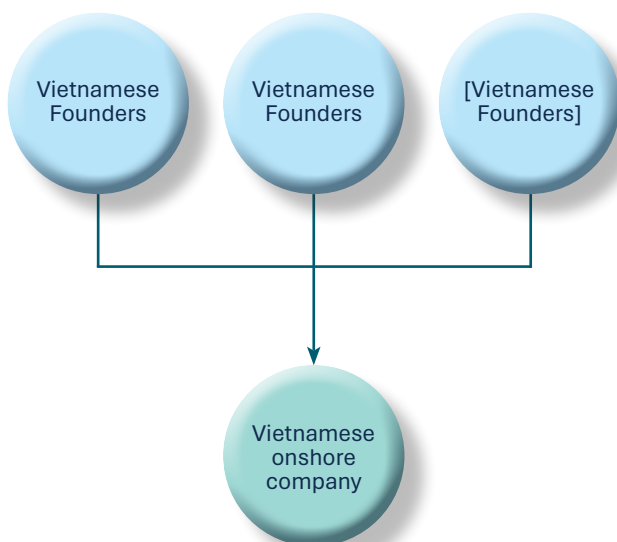
Why should a Vietnamese company be reorganised?

It is a common practice for Vietnamese businesses to set up in a foreign country, e.g. Singapore or Cayman Islands, an offshore holding company for the purpose of overseas IPO. In addition to the fact that Vietnam is not a country that many Stock Exchanges rule to

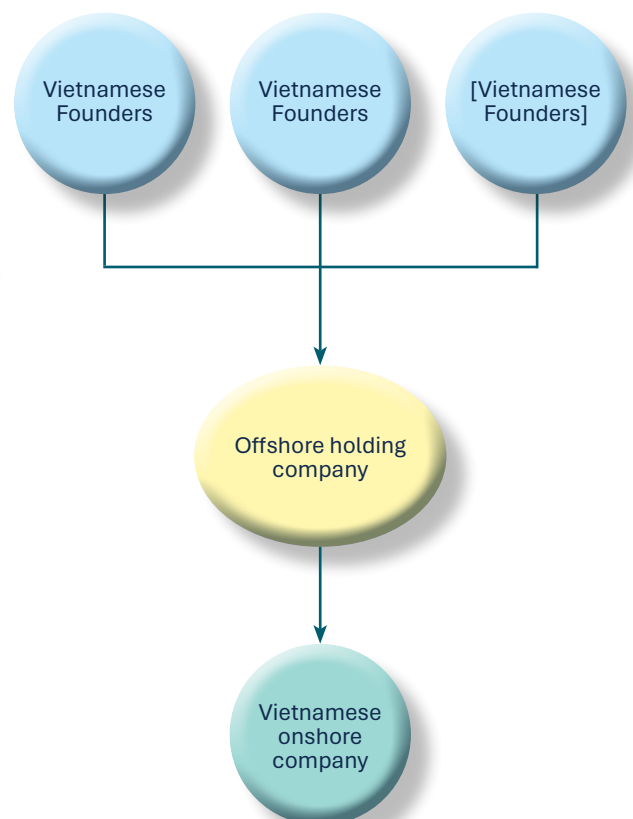
be acceptable as an issuer’s place of incorporation, such offshore holding companies can provide advantages in flexibility in overseas fundraising from private and public resources.

Below is a simple reorganisation chart for IPO purposes.

Structure BEFORE reorganization

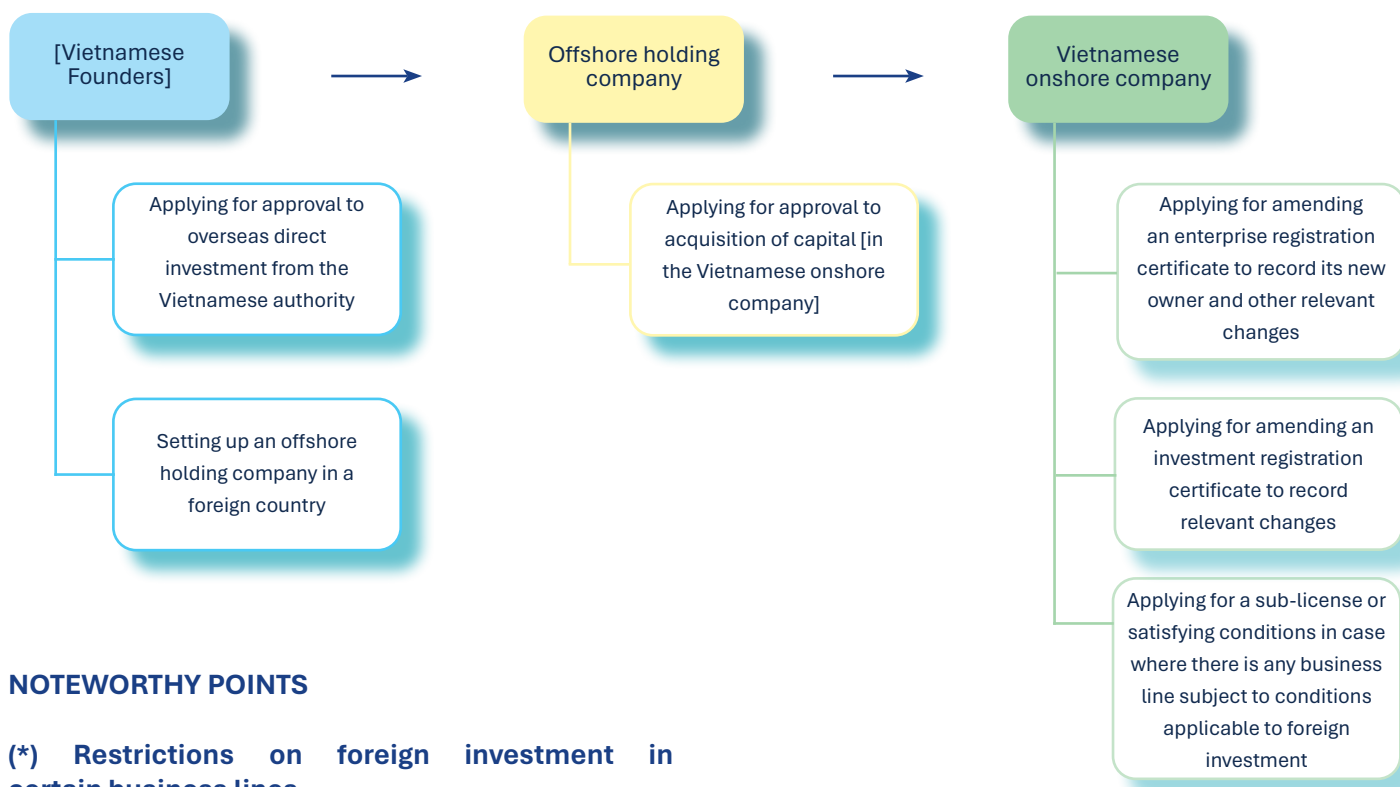


Structure AFTER reorganization



This material is only intended for general reading. Under no circumstances is it to be relied upon in substitution for specific advice on any issue(s) that may arise relating to its subject matter.

Common licensing procedures for reorganization



NOTEWORTHY POINTS

(*) Restrictions on foreign investment in certain business lines

Upon such reorganization, the offshore holding company will become an owner of the Vietnamese onshore company, that will convert the Vietnamese onshore company into a foreign owned enterprise.

Under the Vietnamese laws, certain sectors may be restricted for foreign investors (e.g. debt recovery services); meanwhile, certain others may be allowed upon the foreign investors satisfying conditions about market access and/or conditions on investment/business (e.g. retail business).

Therefore, it is noteworthy to review the business lines as well as to have an action plan to deal with multiple lines of business, such as removing unnecessary ones or proceeding to obtain sub-licenses in a timely manner.

() Share swap**, i.e. an acquiring company offers its own shares in exchange for the target company’s shares during a capital acquisition

In a normal transaction, the consideration for capital acquisition may be paid by the buyer to the seller through relevant bank accounts as the case may be. However, share swap is usually preferred for the purpose of IPO reorganization. Given this, there will normally be no cash flow through bank accounts.

Although the Vietnamese laws generally do not prohibit share swap, there are still various opinions about such transaction in practice. It is therefore advised to work closely with the relevant professional advisors, including banker and tax advisor, in order to ensure the transactional documents being in order and to mitigate potential legal and tax risks.

(***) Economic concentration

In general, acquisition of capital of a company may be considered economic concentration and hence subject to approval by the competent authorities upon their review of various criteria such as the combined market share of relevant enterprises, the degree of economic concentration, the competitive advantages, as well as other relevant criteria.

Although capital transactions as discussed herein may be for internal reorganization only, it is not clear whether or not they will be exempted from the aforesaid procedures.

It is therefore advised to take in account the aforesaid criteria and prepare for subsequent steps for economic concentration filing if necessary.

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About RHTLaw Vietnam

For further information, please contact:



Dang Thi Tuong Vi (Ms.)

Partner
Ho Chi Minh City Office
Tel. (+84) 28 3820 6448

vi.dang@rhtlaw.com.vn

RHTLaw Vietnam

Suite 1101, 11th Floor, Sofitel Central Plaza
17 Le Duan Boulevard, District 1, Ho Chi Minh City,
Vietnam

Tel: +84 28 38206 448

RHTLaw Vietnam – Hanoi Branch

Unit 1501B, 15th Floor, Charmvit Tower
117 Tran Duy Hung Street, Cau Giay District, Hanoi,
Vietnam

Tel: + 84 24 3974 8881

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