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# ASEAN Economic & Legal Update

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# Contents

## Key References

- [ASEAN Investment Report 2023 - International investment trends: Key issues and policy options \(Dec 2023\) - https://asean.org/wp-content/uploads/2023/12/AIR-Special-2023.pdf](https://asean.org/wp-content/uploads/2023/12/AIR-Special-2023.pdf)
- [Singapore's 2024 Economic Outlook \(4 Jan 2024\) - https://www.aseanbriefing.com/news/singapores-2024-economic-outlook/](https://www.aseanbriefing.com/news/singapores-2024-economic-outlook/)
- [World Investment Report 2023 \(June 2023\) - https://unctad.org/system/files/official-document/wir2023\\_en.pdf](https://unctad.org/system/files/official-document/wir2023_en.pdf)
- [Asean still has investment opportunities despite a more challenging \(21 Apr 2023\) - https://www.straitstimes.com/business/investing-opportunities-in-asean.](https://www.straitstimes.com/business/investing-opportunities-in-asean)
- [Foreign direct investment trends and outlook in Asia and the Pacific \(6 Dec 2022\) - https://www.unescap.org/kp/2022/foreign-direct-investment-trends-and-outlook-asia-and-pacific-20222023.](https://www.unescap.org/kp/2022/foreign-direct-investment-trends-and-outlook-asia-and-pacific-20222023)
- [Investing in ASEAN \(2022\) - https://asean.org/wp-content/uploads/2022/12/investment-report-2023.pdf.](https://asean.org/wp-content/uploads/2022/12/investment-report-2023.pdf)

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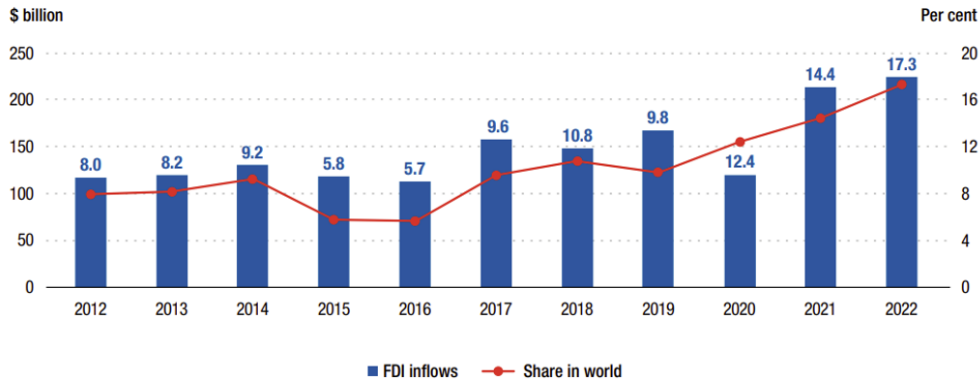
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# ASEAN Trends & FDI Statistics (2022 – 2023)

## ASEAN FDI Trends & Statistics (2023)

- **Inflows of Foreign Direct Investment (FDI) ASEAN declined by 16%** in 2023 to US\$192 billion, while **Global FDI has a marginal increase of 3%** in the same year.
- Greenfield investments in manufacturing **grew by 37%** in countries such as Vietnam, Thailand, Indonesia, Malaysia, the Philippines and Cambodia.
- Net cross-border M&A sales in ASEAN **increased by 195%** in 2023 to US\$36 billion.

ASEAN: FDI inflows and share in world inflows, 2012–2022 (Billions of dollars and per cent)



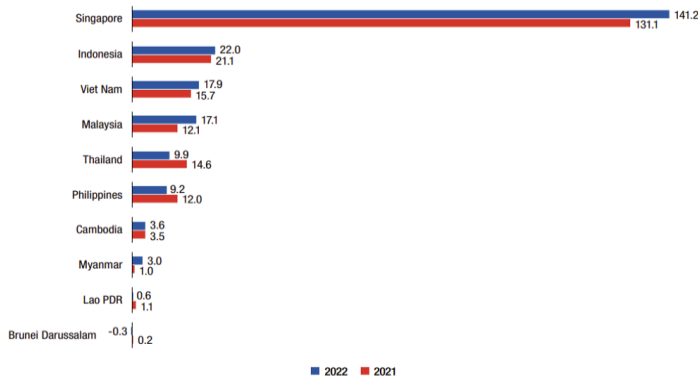
Source: UNCTAD, FDI/MNE database (<https://unctad.org/fdistatistics>).

Note: Data exclude financial centres in the Caribbean and special purpose entities in reporting countries.

## ASEAN FDI Trends & Statistics (2022)

- Six Member States recorded higher inflows in 2022 than in 2021.
- **Singapore** witnessed the highest absolute increase in value, accounting for more than 60 % of FDI in the region.
- **Malaysia** and **Myanmar** recorded the highest percentage growth.
- **FDI hit record levels** in three Member States (**Malaysia, Singapore** and **Vietnam**).
- **Cambodia** and **Indonesia's** growth was flat, but levels of investment remained high.
- With strong inflows, **Cambodia** and **Myanmar** emerged among the **top five FDI recipients** of the Least Developed Countries (LDCs).

ASEAN Member States: FDI inflows, 2021 and 2022 (Billions of dollars)

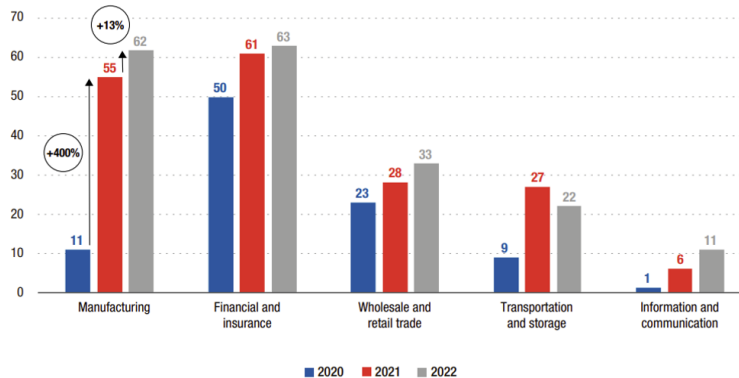


Source: ASEAN Secretariat.

## FDI in ASEAN by Industry (2022)

- Key industry drivers of FDI growth were strong investment in **manufacturing, finance, wholesale and retail trade**, and some services industries associated with the rapidly growing **digital economy**.
- The **electronics and electrical** industry was the major recipient of investment in manufacturing in 2022. The **production of semiconductors and electronic components** received the most attention from investors.
- The region also continued to attract strong investment interest in **battery production** linked to the **emerging EV industry**.
- Growing interest by investors in e-commerce, the rise of middle-income consumers and the rapid growth of technology start-ups continued to encourage investment in **wholesale and retail trade**.
- The robust digital economy, the rapid growth of data centres, the use of cloud computing applications and upgrading of the digital infrastructure helped attract FDI, especially in **information and communication** activities.

ASEAN: FDI by industry, 2020–2022 (Billions of dollars and per cent)

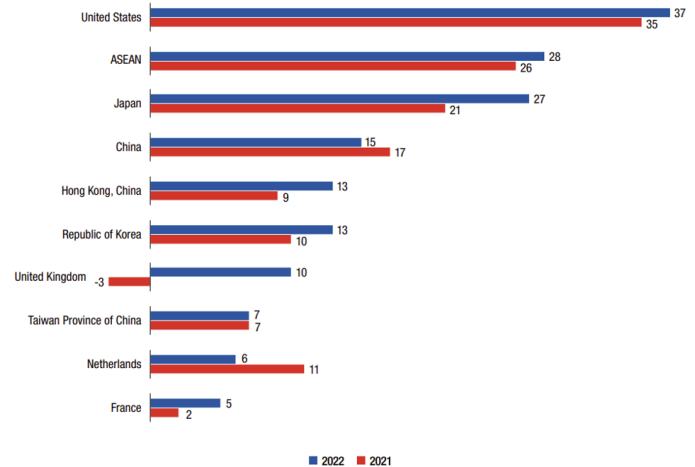


Source: ASEAN Secretariat.

## FDI in ASEAN by Source (2022)

- FDI from the **United States** was the largest source. **Manufacturing** and **finance**, received the bulk of FDI from the United States.
- **Japan** was the third largest source, after intra-ASEAN investment. Inflows from Japan rose, concentrated in the transportation and storage industry. Firms from Japan are investing in and expanding operations in the **automotive** industry, including in automotive parts and components and in **EV-related activities**.
- FDI from **China** to ASEAN fell by US\$1 billion to US\$16 billion but unevenly across the region. About half of this FDI was in manufacturing and real estate. **Chinese companies remained active in infrastructure projects, EV-related activities and the digital economy, and were the largest investors in Cambodia, the Lao PDR and Myanmar.**
- FDI from the **United Kingdom** rose the most, with a **significant increase in Singapore** in **wholesale and retail, finance and professional and scientific services**. For instance, **Dyson** opened a global headquarters in Singapore in 2022 and announced a further US\$1.1 billion investment over the next few years. It is expanding in Singapore by building a battery factory and in the Philippines in R&D and to enhance its manufacturing capabilities. **HSBC** opened a **headquarters in Singapore** in 2022 and plans to invest US\$3 billion in the next few years in South and South-East Asia. It also **acquired AXA's business in Singapore**.
- The **European Union** remained a major source of FDI for ASEAN, third after the United States and intra-ASEAN investment. FDI from the European Union grew, mostly in wholesale and retail trade, manufacturing, and professional and scientific activities.

ASEAN: top 10 investors, 2021–2022 (Billions of dollars)

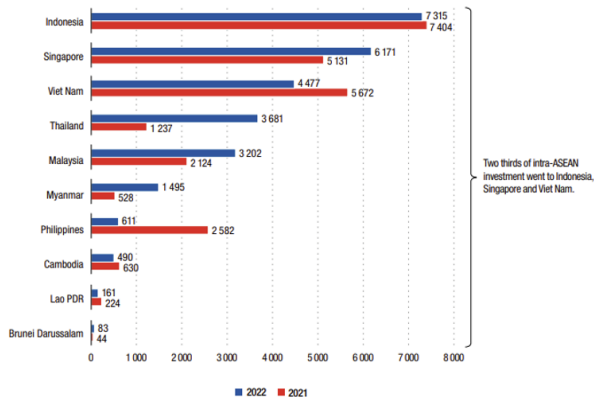


Source: ASEAN Secretariat.

## FDI in ASEAN Intra ASEAN (2022)

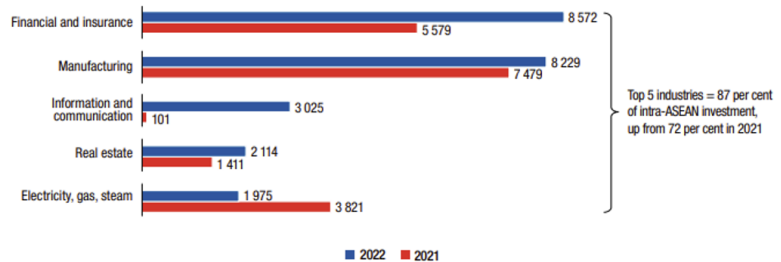
- **Intraregional investment** rose for the third consecutive year to US\$28 billion – the **highest level on record**.
- It was the **second largest source** of investment in 2022, **after the United States**.
- **Finance and manufacturing**, in that order, attracted the largest amounts.
- **Three ASEAN Member States** received two thirds of intraregional investment (**Indonesia, Singapore and Vietnam**).

Intra-ASEAN investment, by host country, 2021–2022 (Millions of dollars)



Source: ASEAN Secretariat.

Intra-ASEAN investment: top five industries, 2021–2022 (Millions of dollars)



Source: ASEAN Secretariat.



## ASEAN International Investment (2022)

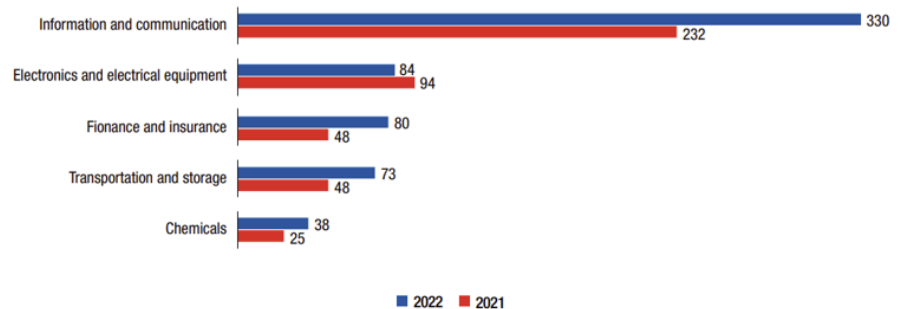
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Aside from FDI inflows, all other modes of international investment (cross-border M&As, international project finance deals and announced greenfield investment) rose.

### Greenfield Investment

- Announced **greenfield investment** rose in both number of projects and value.
- Most announced greenfield investment was in **services** and **manufacturing**. Five industries accounted for 56% of the number of projects, with information and communication leading with 330 projects.

ASEAN: announced greenfield projects, top five industries, 2021–2022 (Number)



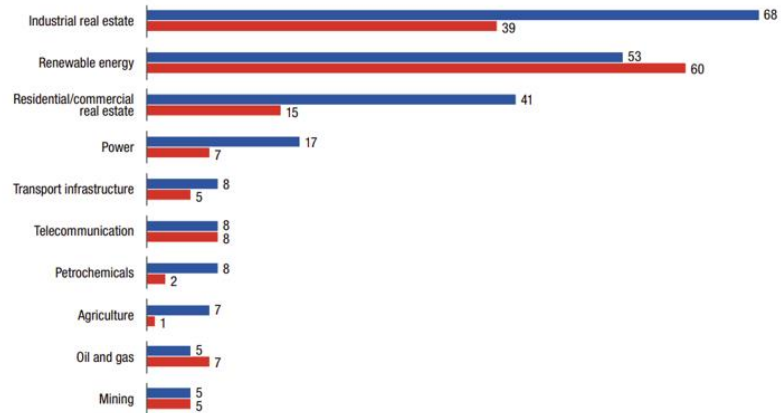
Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets ([www.fDimarkets.com](http://www.fDimarkets.com)).  
Note: Data exclude financial centres in the Caribbean.

## ASEAN International Investment (2022)

### International Project Finance

- All Member States saw an increase in the number of **International Project Finance** deals, with the **most projects** in **Indonesia**, **Vietnam** and **Malaysia**, in that order. These three countries together accounted for more than 62% of the number of these deals in 2022.
- The bulk of international project finance deals were in **infrastructure-related industries, including in renewable energy** and **telecommunication**. Investment rose in **industrial real estate, power** and **transport infrastructure**.
- The top three projects announced in 2021 were the US\$21 billion **Thai Beverage (Thailand)** consortium solar project in Malaysia, the US\$12 billion offshore wind power project in Viet Nam by **T&T Group (Viet Nam)** and Orsted (**Denmark**), and the **US\$10 billion pharmaceutical park** involving local companies and investors from India. This was equivalent to nearly three quarters of the value in 2022.
- Most of the megaprojects were in **energy and industry (primarily in EV-related activities)**.

ASEAN: International project finance deals, top 10 industries, 2021–2022 (Number)



Source: UNCTAD, based on information from Refinitiv.  
Note: Data exclude financial centres in the Caribbean.

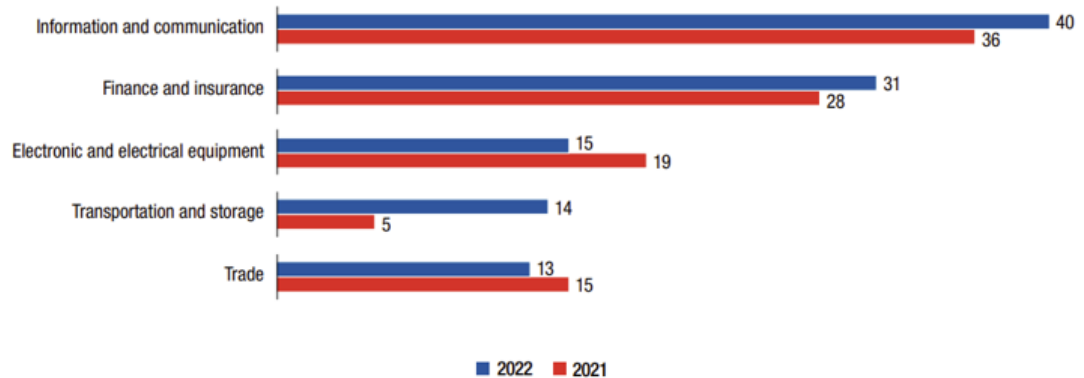
## ASEAN International Investment (2022)

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### Cross Border M&A

- **Cross-border M&A** sales by number rose from 170 in 2021 to 199, with nearly all of the increase and an overwhelming level of the activities concentrated in services, where the number jumped to 173, from 133.
- Most of the increase was in **information and communication, finance and insurance, and transportation and storage**, in that order. The top five industries received nearly 60% of the transactions.

ASEAN: cross-border M&A sales, top five industries, 2021–2022 (Number)



Source: UNCTAD, cross-border M&A database.

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# KEY DEVELOPMENTS

## Shaping the FDI Landscape (Challenges & Opportunities)

## Key developments shaping the FDI landscape

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### Challenges

- 01** **Regional FDI inflows may continue to see slowdown** in 2024 given underinvestment in some countries.

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- 02** This declining trend could affect the investment momentum to the region.

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- 03** **Inflation risks and current high interest rates** could lead to **higher costs of finance**. This could slow down investment and international project finance activities. **Financial uncertainties, fear of recession and concern about the profitability and financial health** of firms could hold back FDI, including in cross-border M&A transactions.

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- 04** The **implementation of the international tax reforms** proposed by the Base Erosion and Profit Shifting (BEPS) project carried out by the Group of 20 (G20) and the Organisation for Economic Co-operation and development (OECD), notably the global minimum tax of 15% on the profits of the largest MNEs, has significant implications for investment policies, FDI promotion and development of Special Economic Zones (SEZs), often tied to profit-based incentives such as tax holidays and reductions. The reform initiative is expected to be adopted in 2024, with more than 140 jurisdictions having signed on to it. ASEAN has more than 1,600 zones of different categories and sizes from small ones to megazones encompassing a few contiguous provinces or states (ASEAN Investment Report 2022; WIR 2019). More industrial estates and SEZs are being developed and planned in the region to facilitate investment. Most have been developed to attract FDI by granting tax incentives. The tax reform is expected to affect development programmes for SEZs and other industrial zones.

## Key developments shaping the FDI landscape

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### Opportunities

- 01** Given the significance of ASEAN as a major market and production hub, and as a significant source of technology and investment, the **RCEP agreement** (signed in 2020 and ratified in 2022) **can strengthen the region's attractiveness for FDI**.

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- 02** **The FDI drive related to restructuring international supply chains will continue beyond 2023** – and ASEAN is expected to remain a major destination. **International supply chain restructuring and growing corporate interest in strengthening supply chain capacity** (due to geopolitical tensions and pandemic-driven disruptions) **will continue** to encourage more investment expansion and diversification projects in favour of the region. Existing investors are expanding capacities in the region (horizontally and vertically), either within the same host country or across ASEAN Member States. New investors are establishing a presence in the region.

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- 03** **Robust investment interests will continue in key industries**, such as **manufacturing** (e.g. electronics, semiconductors, EV-related segments), the **energy transition** sectors, the **digital economy** (e.g. e-commerce and fintech) and **digital infrastructure**. This upward trend augurs well for the region. For example, the EV transition landscape features a proliferation of firms from diverse industries: traditional automotive producers (original equipment manufacturers, or OEMs) with a regional presence, EV OEMs, battery manufacturers, MNEs, technology firms, energy companies and start-ups. Investment has been concentrated upstream (mining and smelting), while midstream investment (manufacturing) has gained traction in several Member States, particularly in regional automotive hubs.  
**Most Member States have initiated programs to boost their underinvested EV infrastructure. FDI drivers encompass growing demand, emerging markets, favourable policies, incentives and supply chain strategies.** Global MNEs' presence in EV production and battery manufacturing draws other suppliers to ASEAN, to capitalize on market proximity.

## Key developments shaping the FDI landscape

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### Opportunities

**04** The commitment of the region to **energy transition** and the untapped **vast renewable energy potential** for electricity generation will have an important impact on the region's attraction of FDI. This includes not just **investment in infrastructure** to generate renewable power but also **investment in transmission and distribution** and **investment related to renewable technology solutions** as well as in **manufacturing of renewable equipment**. With the right policy support, building on experiences from the electronics and automotive industries, the region could become a major hub for production of renewable equipment, parts and components.

Energy demand in ASEAN, particularly for renewables, is projected to grow rapidly over the next decade and beyond because of energy transition commitments by Member States and rapid population, economic and industrial growth, including rising demand from the transportation sector. More MNEs in ASEAN are demanding renewable energy supply, and more are installing solar power systems at manufacturing sites to meet their electricity needs. Demand for renewable energy in turn is encouraging FDI in technology solutions and manufacturing of renewable energy equipment (e.g. solar panels). Green industrial parks are emerging in the region, and the proliferation of data centres is adding to the growing demand for more renewably generated electricity.

The energy transition involves a wide spectrum of activities, ranging from renewable energy generation and electrification to building sustainable infrastructure and energy-efficient buildings and decarbonizing industry (WIR 2023). Investment requirements in the renewable energy supply chain include upstream activities (R&D, critical mineral extractions and processing), midstream (component manufacturing and assembly) and downstream (installation and operation of solar panels, wind turbines, batteries and power generation and distribution). The energy transition supply chain is long. In each segment, significant investment is needed and participation by the private sector, including by MNEs, is vital.

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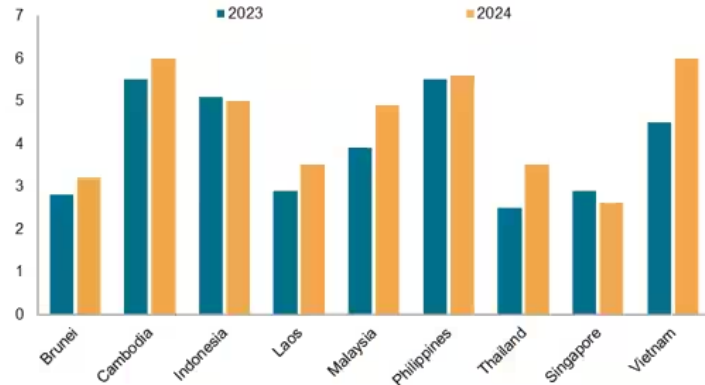
# ASEAN Economic Outlook 2024 + Key Industries & Sectors



## ASEAN GDP Economic Outlook (2024)

- **Electronic-led manufacturing** and **domestic consumption** will drive economic growth in the region.
- In 2024, the **5 major ASEAN economies are expected to grow at 4.3%** which will outpace the global economic growth rate of 2.4%.
- **Manufacturing is predicted to be the primary driver of economic growth in 2024** as semiconductors, electronic components and EV battery production constituting half of announced investments the previous year.
- **Investments in the digital economy will likewise continue** as data centres, cloud computing applications and digital infrastructure play a major role in attracting FDI in the region.

ASEAN GDP growth forecasts



Data compiled January 2024.  
Annual % change in real terms.  
Source: S&P Global Market Intelligence.  
© 2024 S&P Global.

## ASEAN Economic Outlook 2024 – 5 Takeaways

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### 01

**ASEAN will continue to attract high levels of FDI flows in 2024 as diversification of production and manufacturing continue to benefit the region.**

However, there are headwinds to consider including concern about regional security, the wars in Ukraine and the Middle East, continued high interest rates and ongoing inflationary pressures.

### 02

The factors that have been helping the region attract robust levels of FDI in recent years will remain instrumental.

They include **ongoing investment in international supply chain restructuring** that favours the region, **robust macroeconomic fundamentals**, continuously **improving policy environments**, persistent **efforts towards regional integration** and **strong confidence among investors**.

### 03

Key underlying “pull” factors include:

- rapidly growing markets;
- opportunities for firms to scale;
- opportunities to exploit complementary locational advantages;
- opportunities to build or strengthen regional value chains; and
- access to natural resources, including manufacturing inputs.

### 04

The improving investment environment and the **vibrant manufacturing industry** will remain major attraction forces for FDI related to international supply chain restructuring.

The **energy transition sectors, and the digital economy** will offer further potential for investment in these areas.

### 05

The corporate regional expansion – through injection of equity capital and retained earnings witnessed in 2022 – will continue to be a major feature.

**MNEs and ASEAN firms will continue to expand regionally**, involving upgrading production facilities, adopting Industry 4.0 technologies and strengthening supply chain capacities.

## ASEAN Economic Outlook 2024 – Key Industries and Sectors

### 01 ELECTRONICS SECTOR

The electronics sector has attracted more than half of the manufacturing money flowing into ASEAN, compared with just 12% in 2020<sup>(1)</sup>. The strongest growth in 2022 – 134% – came from electric vehicles (EVs), electronics, semiconductors, and pharmaceuticals<sup>(1)</sup>.

### 03 DIGITAL MARKET

ASEAN is digitally savvy, with 460 million Internet users, more than the entire United States population of 330 million<sup>(1)</sup>. This presents opportunities in sectors like e-commerce, digital services, and IT solutions.

### 05 RENEWABLE ENERGY

There is rising demand in the renewable energy sector, which is expected to boost supply<sup>(2)</sup>.

### 02 ELECTRIC VEHICLES (EVs)

ASEAN can offer manufacturers a supply chain for EVs – from the Philippines for nickel supplies to Indonesia, where this nickel is smelted, Malaysia for battery production, and Thailand for the final vehicle assembly<sup>(1)</sup>. Indonesia's nickel export value grew from US\$1 billion in 2014 to US\$32 billion in 2022<sup>(1)</sup>.

### 04 EDUCATION AND HEALTHCARE

The adult literacy rate in the five major regional economies is over 94%, compared with the global average of 87%<sup>(1)</sup>. This, along with the region's prosperity, strengthens demand in the education and healthcare sectors<sup>(1)</sup>.

### 06 SEMICONDUCTOR SUBSECTOR

The semiconductor subsector attracted close to US\$37 billion in Greenfield investments in the first three quarters of 2022<sup>(3)</sup>.



(1) Asean still has investment opportunities despite a more challenging .... <https://www.straitstimes.com/business/investing-opportunities-in-asean>.

(2) Foreign direct investment trends and outlook in Asia and the Pacific .... <https://www.unescap.org/kp/2022/foreign-direct-investment-trends-and-outlook-asia-and-pacific-20222023>.

(3) Investing in ASEAN. <https://asean.org/wp-content/uploads/2022/12/investment-report-2023.pdf>.

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# SELECTED COUNTRY SHOWCASES

## FDI + Key Legal Considerations

# Singapore

Throughout much of 2023, Singapore's economy faced subdued demands in global markets, particularly in manufacturing and trade-related areas. Meanwhile, travel and tourism-related sectors made strides toward recovery, capitalising on increased travel and the gradual return of Chinese tourists.

## Industries to watch in 2024

### Electronics and manufacturing

Demonstrating enhanced performance since 2023, the sector is set to capitalise on increased demand in global semiconductor sales and a favorable outlook for AI-related chips.

This positive momentum also augurs well for the overall financial growth and outlook of Singapore's manufacturing and trade-related sectors.

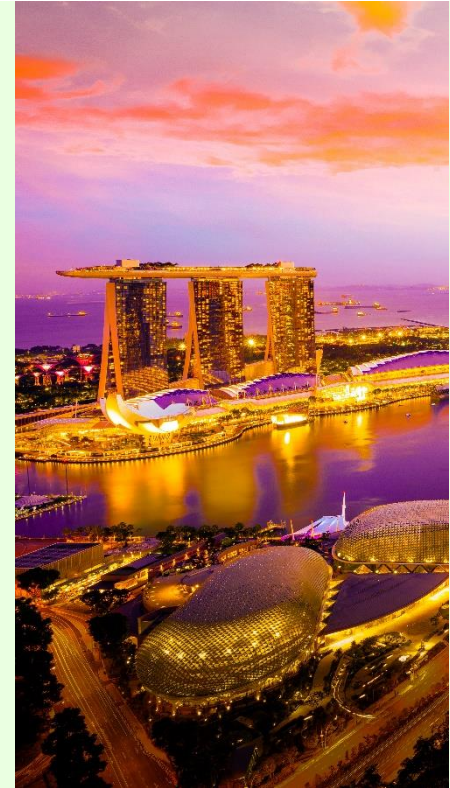
### Food and beverage, travel, and hospitality

The F&B and travel-related industries, which have seen remarkable growth post-pandemic, are anticipated to continue ascending. However, the pace of growth might moderate as revenge travel tapers off.

The trajectory for travel-related industries for 2024 is anticipated to be characterised by a gradual incline rather than a sudden and sharp spike, especially when it comes to inbound tourists.

### Banking, financial and commodity supplies

Sectors encompassing banking, financial, and commodity supplies could encounter persistent challenges. The potential endurance of high-interest rates poses a challenge for businesses operating in the banking and financial domains, influencing borrowing costs, investment decisions, and overall economic activities.



# Singapore

Country Facts		Sources of Law	
<b>Population</b>	Over 5.9 million	<b>Constitution</b>	<ul style="list-style-type: none"> <li>• Supreme law of the land.</li> <li>• Establishes basic framework for the three organs of state: (1) Executive; (2) Legislature; (3) Judiciary.</li> </ul>
<b>Capital</b>	Singapore	<b>Legislation</b>	<ul style="list-style-type: none"> <li>• Statues enacted by Parliament, take precedence over subsidiary legislation and judge-made law.</li> </ul>
<b>Languages</b>	English, Malay, Mandarin, Tamil	<b>Subsidiary Legislation</b>	<ul style="list-style-type: none"> <li>• Issued under a parent statute (e.g. rules, regulations, etc.).</li> </ul>
<b>Currency</b>	Singapore Dollar	<b>Court Precedents</b>	<ul style="list-style-type: none"> <li>• Judgments and legal principles laid down by the courts.</li> <li>• Singapore has inherited the English common law system.</li> <li>• A decision of a higher court in the judicial hierarchy is binding on the judges of the lower courts.</li> </ul>
Legal Framework			
Singapore is republic with a parliamentary system of Government.			

## Three Organs of State

Executive	Legislature	Judiciary
<ul style="list-style-type: none"> <li>• Made up of Cabinet Ministers and office-holders and is led by the Prime Minister.</li> <li>• The Cabinet and the public service agencies under its charge formulate policies and administer the running of the state.</li> </ul>	<ul style="list-style-type: none"> <li>• Made up of the President and a unicameral Parliament.</li> <li>• The Parliament makes the laws and checks on the actions and policies of the Government and the State's finances.</li> </ul>	<ul style="list-style-type: none"> <li>• Consists of the Supreme Court and the State Courts which hear civil and criminal cases, and the Family Justice Courts which hear family cases and selected criminal cases involving youth offenders.</li> <li>• The courts enforce and interpret the laws.</li> </ul>

# Singapore – Key Legal Considerations

## Foreign Investment Policies

Singapore adopts an open foreign investment regime. Generally, there are no restrictions against or controls over foreign investments except in the following sectors:

### Broadcasting companies

- Any foreign entity or foreign individual cannot control  $\geq 49\%$  of shares or voting power in a broadcasting company or its holding company.
- Approval from Minister or regulator required for:
  - acquisition of substantial shareholdings in, or control of shareholdings and voting power in, broadcasting companies;
  - funding from any foreign entity or foreign individual to finance any broadcasting service by a broadcasting company.

### Newspaper companies

- A newspaper company must have two classes of shares, namely, management shares and ordinary shares. Management shares can only be issued or transferred to Singapore citizens or a corporation that has been approved by the Minister in writing.
- Approval from Minister required for:
  - acquisition of substantial shareholdings in, or control of shareholdings and voting power in, a newspaper company;
  - funding from any foreign entity or foreign individual for any newspaper.

### Entities critical to national security interests

- The Significant Investments Review Act 2024 subjects designated entities that are critical to Singapore's national security interests ("**designated critical entities**") to ownership and control requirements.
- This investment regime applies to both local and foreign investors of selected designated critical entities which are not caught by the other sectoral legislation.

### Real estate

- A foreign entity or foreign individual cannot own landed residential property.
- Any transfer or sale of a landed residential property to a foreign entity or foreign individual must be approved under the Residential Property Act 1976.
- A housing developer who is a foreign entity or foreign individual must apply for a Qualifying Certificate to purchase vacant residential land to construct flats or dwellings for sale. The foreign housing developer is subject to additional conditions under the Qualifying Certificate regime.

### Other sectors

Investments in sectors that are strategically important for the social, finance and economic infrastructure of Singapore (e.g. finance, postal, telecommunication and legal profession) are subject to regulatory approvals applicable to acquisition of shares beyond a specified threshold and/or licensing requirements.

# Singapore – Key Legal Considerations

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## Starting a Business in Singapore

- A person who intends to carry out any business activity in Singapore must register the business under Singapore law. Failure to do so may result in penalties.
- Accounting and Corporate Regulatory Authority ("**ACRA**") regulates the registration of business entities in Singapore. The main types of business entities in Singapore are:
  - Sole-proprietorship (one owner) or Partnership (two or more owners)
  - Company or Branch (foreign companies registered in Singapore)
  - Limited Liability Partnership (LLP)
  - Limited Partnership (LP)
  - Variable Capital Company (VCC)
- **Most common business vehicle:** Company limited by shares
- **How to register a business:** Conducted online via BizFile+, ACRA's online filing system. Please refer to the ACRA website on the factors to consider when choosing a business vehicle and how to register a business in Singapore.
- The public may also retrieve and purchase information about business entities registered with ACRA. ACRA is also the regulator of financial reporting, public accountants and corporate service providers.
- Foreign investors may also opt to register a representative office ("**RO**") in Singapore as a temporary arrangement for the purpose of assessing the business environment in Singapore.
  - Only allowed to carry out activities that allow it to conduct research and collect information to enable it to assess the viability of setting up a business establishment in Singapore.
  - Not allowed to carry out any business activity.
- How to register an RO
  - **Financial institution:** Approach Monetary Authority of Singapore
  - **Legal sector:** Approach Ministry of Law
  - **All other sector:** Approach Enterprise Singapore

## Foreign Exchange Control

- No exchange control formalities or approvals are required for all forms of payments or capital transfers in and out of Singapore.

## Corporate Tax

- Local or foreign company that is a tax resident in Singapore is taxed at a flat rate of 17% of its chargeable income.
- A company is a tax resident in Singapore for a particular Year of Assessment ("**YA**") if the control and management of its business was exercised in Singapore. The residency status of a company may change from year to year, depending on where the business is controlled and managed for the whole of the YA.



## Cambodia

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- **FDI inflows rose 22% in 2024**, to US\$4.92 billion compared to US\$4.03 billion in 2023.
  - Cambodia stood out among the Least Developed Countries as a target of growing investor interest. Significant investments continued in **finance, manufacturing and construction**, making up 70% of inflows. The country's improved investment climate and rapid economic growth influenced FDI decisions. Notably, **construction and real estate** attracted one fifth of investments, reflecting industrial growth and demand.
  - Traditional **manufacturing** sectors such as garments and footwear still attracted substantial FDI, while **emerging industries** such as **solar equipment** saw rapid growth (up US\$100 million in 2022), albeit from a low base.
  - Investment from Asia was the largest source and accounted for more than 80% of inflows, with **China leading**, followed by **ASEAN**, the **Republic of Korea, Japan and Hong Kong (China)**.
  - FDI from ASEAN came mostly from **Singapore and Malaysia**.
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# Cambodia

Country Facts		Sources of Law		
<b>Population</b>	Over 17 million (2024)	<b>Constitution</b>	<ul style="list-style-type: none"> <li>Supreme law of the land</li> <li>Provides for separation of powers and establishes basic framework for the three organs of state: (1) executive; (2) legislature; and (3) judiciary.</li> </ul>	
<b>Capital</b>	Phnom Penh		<b>Legislation</b>	<ul style="list-style-type: none"> <li>Parliament makes laws.</li> <li>Senators, members of the National Assembly and Prime Minister may initiate legislation.</li> </ul>
<b>Languages</b>	Khmer	<b>Jurisprudence</b>		<ul style="list-style-type: none"> <li>Cambodia is a civil law country.</li> <li>Sources of law are legal instruments of the competent authorities of the State including laws, Royal Kret, Royal Decree, Anukret or Sub-Decree, Prakas, Circular, etc.</li> <li>Court decisions do not generate binding precedent.</li> </ul>
<b>Currency</b>	Khmer Riel			
<b>Legal Framework</b>				
Cambodia is a constitutional monarchy.				

## Three Organs of State

Executive	Legislature	Judiciary
<ul style="list-style-type: none"> <li>The cabinet is led by the Prime Minister.</li> <li>The Prime Minister nominates the members of the Cabinet and the King appoints the members of the Cabinet.</li> </ul>	<ul style="list-style-type: none"> <li>A bicameral parliament made up of the Senate and the National Assembly.</li> <li>Members of the National Assembly are elected through a democratic process and the Senate comprises two Senators appointed by the King, two Senators elected by the National Assembly and other Senators elected at restricted suffrage.</li> <li>In the standard law enactment process, a law approved by the National Assembly will be passed to the Senate for review and approval before it is signed by the King for its promulgation.</li> </ul>	<ul style="list-style-type: none"> <li>The judicial power is vested in the Supreme Court and the courts of all sectors and levels (including but not limited to the Appeal Court, the Court of First Instance, and military court, etc.).</li> </ul>

# Cambodia – Key Legal Considerations

## Foreign Investment Policies

Cambodia has an open market economy with liberal foreign investment policy. Notably, the 2021 Law on Investment provides an open, transparent, and predictable legal framework which facilitates investments by Cambodian nationals and foreigners.

### Who is a “foreign investor”?

- Cambodian law does not expressly define a foreign investor.
- For the purpose of obtaining benefits under the 2021 Law on Investment, an “investor” is broadly defined as a person carrying out an investment project registered with the Council for the Development of Cambodia (“**CDC**”) or a Municipal-Provincial Investment Sub-Committee.
- An entity will be considered foreign-owned if it is not a Cambodian company. A company is deemed as a Cambodian company, if 51% or more of its shares are held by a legal or natural person with Cambodian nationality.

### Examples of restrictions on foreign investments and business activities

- **Ownership of land** as set out in the Land Law.
  - Only persons with Cambodian nationality are entitled to own land.
  - Companies with foreign nationality are restricted from owning land. Note, though, that the government allowed foreigners to own private units in a co-owned building with only exception to ground floor and underground floor.
- Some business activities require **local participation due to policy reasons**, for instance, exploitation of gemstones, production of bricks and tiles, rice milling, manufacturing of wood and stone carvings, and silk weaving.
- Entities engaging in activities relating to of media, printing, and broadcasting are subject to **restriction on foreign equity** of up to 49%.

# Cambodia – Key Legal Considerations

## Starting a Business in Cambodia

- A foreign entity may establish a local entity in any of the following business types:
  - Commercial representative office;
  - Branch; or
  - Subsidiary.
- Such foreign entity may also enter into a joint venture agreement with a local partner and form a joint venture company to conduct its business.
- A local entity may be established in any of the following business forms:
  - Sole-proprietorship;
  - Partnership; or
  - Limited liability company.
- **Most common business vehicle:** Private limited company.
- **How to register a business:** Registered with the Ministry of Commerce the General of Taxation ("**GDT**"), the Ministry of Labor and Vocational Training, and the National Social Security Fund.
- A business that is eligible for qualified investment project may register with the CDC. Since 15 June 2020, registration of new companies/entities must be made via the Single Portal.
- Depending on the nature of the business, businesses may be required to apply for various operating licenses from the relevant ministries/institutions.

## Foreign Exchange Control

- There are generally no restrictions on foreign exchange operations under the Law on Foreign Exchange.
- Investors in Cambodia may freely purchase and remit abroad foreign currencies to discharge their financial obligations related to their investments.
- However, transactions are required to be made through authorised intermediaries, for instance a bank which has been authorised by the National Bank of Cambodia.

## Corporate Tax

- Self-assessment corporate tax regime.
- Taxpayers are classified into small, medium and large with reference to their annual turnover. If the declared turnover is inconsistent with the actual turnover, GDT is authorised to re-determine the classification of a taxpayer based on the value of their assets used in the enterprise's business.
- For non-resident taxpayers, corporate income tax ("**CIT**") is levied on Cambodia-sourced income. For resident taxpayers, CIT is levied on worldwide income.
- For large and medium entities, the rate of CIT is 20%. For small entities, the rate of CIT ranges progressively from 0% to 20%.
- CIT rates may also differ depending on the industry (e.g. oil and gas and certain mineral exploitation activities).

# Indonesia

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- In Q2 of 2024, Indonesia's economy saw a **5.05% GDP growth**. This growth was supported by strong domestic consumption and support from the state budget. However, downside risks remain in 2024 as the global commodity boom decelerates alongside rising inflation.
  - For 2024, the government is targeting investment worth around US\$60 billion, an increase of almost 18% compared to the investment target in 2023. At least 50% of that target would be contributed by FDI. The sector that is targeted to receive the most investment is mining, including in the industrial downstream sector. Other targeted sectors include non-machinery and equipment, transportation, telecommunication, housing and industrial estate, and chemical and pharmaceutical industry.
  - **Singapore, China, Hong Kong (China)** and **Japan** rank in the top 4 sources of foreign investment (accounting for more than four fifths of inflows).
  - Private or domestic consumption is anticipated to remain a significant factor for growth in 2024. Some predict that investors would wait until the finalisation of the presidential election results in Q3 of 2024 before taking strategic decisions. Nonetheless, investment that would increase the production capacity in manufacturing and services sectors, to name a few, is likely to continue in the meantime.
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# Indonesia

Country Facts		Sources of Law	
<b>Population</b>	Over 275 million	<b>Constitution</b>	<ul style="list-style-type: none"> <li>• Supreme law and basis for all laws in Indonesia.</li> <li>• Provides for a limited separation of executive, legislative and judicial powers.</li> </ul>
<b>Capital</b>	Jakarta		
<b>Languages</b>	Bahasa Indonesia, English is commonly spoken in business context and major cities	<b>Legislation</b>	<ul style="list-style-type: none"> <li>• Power to introduce new national laws and regulations lies within the powers of the People's Representative Council ("<b>DPR</b>") and/or the President.</li> <li>• Power to introduce regional laws and regulations lies within the powers and authority of the Regional People's Representative Council ("<b>DPDR</b>") and/or the Governor.</li> </ul>
<b>Currency</b>	Rupiah		
<b>Legal Framework</b>		<b>Jurisprudence</b>	<ul style="list-style-type: none"> <li>• Decisions of judges may be followed and used as guidance in deciding cases of similar issue.</li> </ul>
Indonesia is a unitary republic.			

## Three Organs of State

Executive	Legislature	Judiciary
<ul style="list-style-type: none"> <li>• Led by the President, who is both the head of government and head of state.</li> <li>• Made up of Cabinet members and Vice-President.</li> </ul>	<ul style="list-style-type: none"> <li>• Made up of the bicameral People's Consultative Assembly ("<b>MPR</b>"), which consists of the DPR and DPDR.</li> <li>• MPR has the sole power to pass laws and amend the Constitution.</li> </ul>	<ul style="list-style-type: none"> <li>• Supreme Court is the highest court.</li> <li>• Courts below the Supreme Court are organised by subject matter, which include the general, religious, military, and administrative courts.</li> <li>• There are special courts under the general and administrative courts (e.g. labour courts, corruption courts, commercial courts, juvenile courts, fishery courts, human rights courts and tax courts).</li> </ul>

# Indonesia – Key Legal Considerations

## Foreign Investment Policies

- Foreign investors can only engage in businesses with a minimum investment of more than IDR10 billion (excluding the value of land and building) for each line of business, unless specifically exempted.
- Foreign investment is mainly regulated under Presidential Regulation No. 10 of 2021 on Investment Business Activities, as amended by Presidential Regulation No. 49 of 2021 ("Priority Investment List").
- Generally, all business sectors listed in the Priority Investment List are open for foreign investment unless expressly declared closed for foreign investment or to only be carried out by the central government.
- The Priority Investment List includes the sectors set out below. Foreign investors should also check the relevant sectoral regulations that may set out conditions on foreign investments.

## Business sectors open to foreign investment

- **Prioritised business sectors** – Sectors that are generally open for foreign investment and are eligible for fiscal and non-fiscal-related incentives.
- **Business sectors allocated for or requiring partnership with micro, small and medium enterprises or cooperatives** – Sectors that can only be conducted by a micro, small and medium enterprises or a cooperative, or in the case of foreign investors, if they have entered into a cooperation with those foregoing entities.
- **Business sectors with specific requirements** – Sectors that are open for investment with certain requirements (a limitation on foreign ownership, certain locations, special licensing, domestic capital of 100%; and/or a limitation on capital ownership within the framework of ASEAN cooperation, including trading/distribution, construction, transportation services, etc). Examples of such business sectors include broadcasting, postal and press.
- **Others** – Sectors that are not included in any of the abovementioned categories and are open to all investors.

## Business sectors closed for foreign investment

- **Closed business sectors** - Sectors that include cultivation and industry of class I narcotics, chemical weapons manufacturing industry, all forms of gambling and/or casino activities, industrial chemical and ozone depleting substances industries, the capture of any fish species as listed in the Appendix I of Convention on International Trade in Endangered Species of Wild Fauna and Flora, the utilisation and collection of coral from nature for building materials / limestone / calcium, aquarium and souvenirs/jewelry and live and dead coral, and alcohol, wine, and malt beverages industry.
- **Business sectors reserved for the government** – Sectors that relate to public services or strategic national defence and security.

# Indonesia – Key Legal Considerations

## Starting a Business in Indonesia

- A foreign business that wishes to commence operations in Indonesia can either establish its presence in Indonesia by forming an Indonesian company or opening a representative office.
- If a foreign investor opts to establish an Indonesian company, it must take the form of a limited liability company – commonly a PT PMA (foreign investment company) – established and domiciled in Indonesia.
- Once legally established, the **PT PMA** company must obtain a Tax Registration Certificate (Nomor Pokok Wajib Pajak or "NPWP") from the tax office, and, if required, the Domicile Certificate (Surat Keterangan Domisili Perusahaan or SKDP) from the relevant sub-district office (for PT PMA that is domiciled outside of Jakarta area).
- All businesses must be registered in the Online Single Submission (OSS) system.
- Businesses are categorised into four risk levels and are required to obtain the documents and/or approval highlighted below before they can commence business.

Risk Levels	Documents and approval required
Low Risk	Business Identification Number (Nomor Induk Berusaha or "NIB")
Medium-Low Risk	<ul style="list-style-type: none"><li>• NIB</li><li>• Standard Certificate (a statement and/or evidence of the fulfilment of certain business implementation standard) which is self-verified statement.</li></ul>
Medium-high risk	<ul style="list-style-type: none"><li>• NIB</li><li>• Standard Certificate which must be verified by the relevant government authority.</li></ul>
High-risk	<ul style="list-style-type: none"><li>• NIB</li><li>• Further business licences/verifications/permits determined by the relevant government agencies or ministries.</li></ul>



# Indonesia – Key Legal Considerations

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## Foreign Exchange Control

- Generally, Indonesia has no exchange control restrictions other than the general prohibition to transfer Rupiah overseas and the obligation to provide periodical data and information to Bank Indonesia, Indonesia's central bank, on the foreign exchange activities (among others, periodical report on offshore loan to Bank Indonesia).
- All transactions conducted in Indonesia must use Rupiah except for:
  - Transactions for the implementation of the state budget;
  - Sending or receiving grants to or from abroad;
  - International trade;
  - Bank savings accounts in foreign currency; and
  - International financing.

## Corporate Tax

- A company established or domiciled in Indonesia is regarded as an Indonesian tax resident. Likewise, a foreign company performing business activities through a permanent establishment in Indonesia is deemed as an Indonesian tax resident.
- Representative offices of foreign companies in Indonesia without a permanent establishment are still required to obtain a Tax Registration Certificate (Nomor Pokok Wajib Pajak or NPWP) from the tax office, provided that they satisfy the subjective and objective requirements.
- Generally, a flat corporate income tax rate of 22% applies on taxable business profit. However, several exceptions apply as follows: (a) public companies may be eligible for a tax cut of 3% if they fulfil certain requirements, and (b) companies with business turnover of up to IDR50 billion are entitled to a 50% tax rate reduction from the standard corporate income tax rate. The reduced tax rate could be applied to the taxable business profit, which is derived from a portion of the business turnover up to IDR4.8 billion.

# Malaysia

- The Malaysian economy **grew at a higher rate of 5.9%** in the second quarter of 2024 (1Q 2024: 4.2%), driven by stronger private expenditure and positive turnaround in exports.
- In 2023, Malaysia attracted RM188.4 billion approved Foreign investments ("FI"), driven by investments in the **manufacturing (RM128 billion) and services (RM57.9 billion) sectors.**
- The FI was predominantly led by five countries, with **Singapore** (RM43.7 billion), **Netherlands** (RM35.5 billion), **United States** (RM21.5 billion), **Cayman Islands** (RM17.5 billion), and **China** (RM14.5 billion) together accounting for 70.4% of total FI.
- In Malaysia, the economy is expected to strengthen in 2024, supported by expansion in all sectors and better prospects in global trade.



# Malaysia

Country Facts		Sources of Law	
<b>Population</b>	Over 33 million	<b>Constitution</b>	<ul style="list-style-type: none"> <li>Supreme law of the land.</li> <li>Establishes basic framework for the three organs of state: (1) executive; (2) legislature; and (3) judiciary.</li> <li>The Federal and State governments have specific legislative and executive authority as provided for in the Federal Constitution.</li> </ul>
<b>Capital</b>	Kuala Lumpur		
<b>Languages</b>	Malay, English, Chinese, Tamil		
<b>Currency</b>	Ringgit	<b>Legislation</b>	<ul style="list-style-type: none"> <li>Parliament enacts Federal laws that apply nationwide.</li> <li>State laws are passed by each State Government's State Legislative Assembly and apply only within the relevant State.</li> </ul>
<b>Legal Framework</b>		<b>Subsidiary Legislation</b>	<ul style="list-style-type: none"> <li>Issued under a parent statute (e.g. rules, regulations, etc.).</li> </ul>
Malaysia is a Federal Parliamentary Democratic Constitutional Monarchy.		<b>Court Precedents</b>	<ul style="list-style-type: none"> <li>Mixed legal system of English common law, Islamic (Sharia) law, and customary law.</li> <li>Judgments and legal principles laid down by the courts.</li> <li>A decision of a higher court in the judicial hierarchy is binding on the judges of the lower courts.</li> </ul>

## Three Organs of State

Executive	Legislature	Judiciary
<ul style="list-style-type: none"> <li>Made up of the Prime Minister and his Cabinet, which are Cabinet Ministers.</li> <li>The Cabinet is led by the Prime Minister.</li> </ul>	<ul style="list-style-type: none"> <li>Parliament consists of the Senate and the House of Representatives.</li> <li>Parliament enacts Federal legislation.</li> <li>The State Legislative Assembly is the legislative branch of each State and comprises of elective representatives.</li> </ul>	<ul style="list-style-type: none"> <li>Consists of the Superior Courts and Subordinate Courts which hear civil and criminal matters. The courts enforce and interpret the laws.</li> </ul>

# Malaysia – Key Legal Considerations

## Foreign Investment Policies

Restrictions on foreign investment in Malaysia are applicable depending on which sector the investment is in. In sectors without restrictions, foreign investors can hold up to 100% equity in the business.

- Certain sectors have restrictions of foreign investment requiring a **minimum ownership by Malaysians Bumiputeras** (Malays and other indigenous ethnic groups). These equity participation requirements:
  - can extend to the composition of board directors and employees; and
  - are imposed by industry regulators when the business entity applies for the relevant licences, approvals and permits (collectively "**Licenses**") to carry out its business in the specific sector.
- Additionally, the Licenses may contain terms and conditions requiring **approval of or notification to the regulator of any change of shareholding**.
- The minimum requirements of Malaysian Bumiputera ownership differ from industry to industry and the relevant Licenses held, and it usually ranges from 30% to 100% Malaysian Bumiputera or Malaysian ownership.

A non-exhaustive list of the **principal industries or activities that are subject to restrictions on foreign investment** include:

- Financial services
- Capital markets
- Insurance and Islamic insurance (takaful) industries
- Petroleum industry
- Communications and multimedia
- Wholesale and distributive trade (in relation to supermarkets and convenience stores)
- Education
- Freight forwarding and shipping
- Water
- Energy supply
- Security and employment agencies
- Acquisition of land

# Malaysia – Key Legal Considerations

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## Starting a Business in Malaysia

- A person who intends to carry out any business activity in Malaysia must register the business under Malaysian laws, such as:
  - Registration of Businesses Act 1956;
  - Companies Act 2016;
  - Limited Liability Partnerships Act 2012; or
  - under Labuan law such as the Labuan Companies Act 1990.
- Failure to do so may result in penalties.

## Registration Requirements

- The Companies Commission of Malaysia ("**CCM**") regulates the registration of the following business entities:
  - Sole-proprietorship (one owner) or Partnership (two or more owners)
  - Company (public or private) or Branch (foreign companies registered in Malaysia)
  - Limited Liability Partnership (LLP)
- **Most common business vehicle:** Private company limited by shares.
- Business registration may be done online via EzBiz Online, the CCM's online registration system. Please refer to the CCM website on the factors to consider when choosing a business vehicle and how to register a business in Malaysia.
- The public may also retrieve and purchase information about business entities registered with CCM.
- A foreign entity that wishes to set up a Representative Office or Regional Office ("**RO**") to assess the business environment in Malaysia without having a permanent establishment in Malaysia may register its RO by submitting an application for approval to the relevant authorities within the Malaysian Government. Please refer to the MIDA website for further information.

# Malaysia – Key Legal Considerations

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## Corporate Tax

- Resident companies are generally taxed at the rate of 24%.
- However, resident companies with paid-up capital of RM2.5 million or less and with gross business income not exceeding RM50 million for year of assessment 2024 are taxed at:
  - 15% on the first RM150,000;
  - 17% for every ringgit from on the next RM450,000; and
  - 24% for every ringgit in excess of RM600,000.

Provided that the companies:

- (i) are not part of a group of companies where it owns more than 50% of, or more than 50% of its paid-up capital is directly or indirectly owned by a company with paid-up capital of more than RM2.5 million; or
- (ii) have no more than 20% of its paid-up capital directly or indirectly owned by one or more companies incorporated outside Malaysia or by one or more non-Malaysian citizens.

## Foreign Exchange Control

- Non-residents interested in investing in Malaysia may deal in both Ringgit and foreign currency in accordance with foreign exchange policy notices ("**FEP Notices**") set out by the Central Bank of Malaysia pursuant to the Financial Services Act 2013 and Islamic Financial Services Act 2013.
- Non-residents are allowed to repatriate capital, profits and income earned from their investments in Malaysia, provided that the repatriation is done in foreign currency and that the conversion from Ringgit to foreign currency is done in accordance with requirements under the FEP Notices.

# Philippines

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- The Philippines posted **GDP growth of 6.3% in Q2 2024** which was within its government target. However, its growth figures represent the second highest in ASEAN next to Vietnam.
  - In 2023, FDI approvals in the Philippines amounted to around **US\$8.9 billion**, down by 6.6% compared to 2022.
  - **Japan**, as the Philippines' top source of foreign investment, contributed **51% share to total inflows** – which is mainly attributable to **manufacturing and financial services sectors**.
  - Among the notable M&As in the Philippine scene is the acquisition of the Coca-Cola Beverages Philippines, Inc. by Aboitiz Equity Ventures Inc. and Coca-Cola Europacific Partners, the acquisition of Philippines' Don Papa Rum by Diageo PLC, and the privatisation of Metro Pacific Investments Corporation.
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# Philippines

Country Facts		Sources of Law	
<b>Population</b>	Over 114 million	<b>1987 Constitution</b>	<ul style="list-style-type: none"> <li>Fundamental law of the land.</li> <li>Establishes basic framework for the three organs of state: (1) Executive; (2) Legislature; (3) Judiciary.</li> </ul>
<b>Capital</b>	Manila	<b>Judicial Decisions</b>	<ul style="list-style-type: none"> <li>Judicial decisions applying to or interpreting the laws or the Constitution form a part of the legal system of the Philippines.</li> <li>Only decisions of the Supreme Court establish jurisprudence and are binding on all other courts.</li> </ul>
<b>Languages</b>	Filipino, English	<b>Statutes</b>	Statutes are a main source of law in the Philippines and include: <ul style="list-style-type: none"> <li>Acts of Congress</li> <li>Municipal charters</li> <li>Municipal legislation</li> <li>Court rules</li> <li>Administrative rules and orders</li> <li>Legislative rules</li> <li>Presidential issuances</li> </ul>
<b>Currency</b>	Peso		
Legal Framework			
Philippines is a republic with a presidential form of Government.			

## Three Organs of State

Executive	Legislature	Judiciary
<ul style="list-style-type: none"> <li>Led by the President and Vice-President.</li> <li>Consists of Cabinet members appointed by the President.</li> <li>Controls all executive departments, bureaus, and offices, and ensures that laws are faithfully executed.</li> </ul>	<ul style="list-style-type: none"> <li>The bicameral Congress or Kongreso consists of the Senate and the House of Representatives.</li> <li>Authorised to make, alter, and repeal laws.</li> </ul>	<ul style="list-style-type: none"> <li>Consists of the Supreme Court and such lower courts as may be provided by law.</li> <li>The courts enforce and interpret the laws.</li> </ul>



# Philippines – Key Legal Considerations

## Foreign Investment Policies

- A foreign investor may conduct business or invest in all business sectors or activities in the Philippines except those areas reserved exclusively for Filipinos by the Constitution and other special laws.
- In accordance with Republic Act No. 7042 or the Foreign Investments Act of 1991, as amended, a Foreign Investments Negative List ("**Negative List**") is prepared by the National Economic Development Authority which enumerates the areas which limits foreign participation:
  - **List A:** Limitations on foreign ownership by mandate of the Constitution and specific laws and may be amended at any time to reflect changes in the laws.
  - **List B:** Limitations on foreign ownership by reasons of security, defense, risk to health and morals and protection of small and medium scale enterprises. This must not be amended more often than once every two years.
- Outside of the sectors covered in the Negative List, 100% foreign ownership is allowed.

**Who is a "foreign investor":** Investor that is: (a) not a Filipino citizen; and (b) not a corporation/association organised under Philippines law of which at least 60% of its capital stock is owned by Filipino citizens.

The restrictions on foreign equity set out in the 12th Negative List are as follows.

Foreign equity restrictions	Apply to
<b>No foreign equity permitted</b>	11 business sectors including mass media, the practice of professions, retail trade enterprises with paid-up capital of less than PhP25 million, cooperatives, small-scale mining, utilisation of marine resources, etc.
<b>Up to 25% foreign equity permitted</b>	2 business sectors or activities, namely, private recruitment and contracts for the construction of defence-related structures.
<b>Up to 30% foreign equity permitted</b>	Advertising sector
<b>Up to 40% foreign equity permitted</b>	<ul style="list-style-type: none"> <li>• 10 business activities or entities including ownership of condominium units or private lands, private radio communications network, procurement of infrastructure projects, educational institutions, and exploration, development and utilisation of natural resources, etc.</li> <li>• Micro and small domestic market enterprises with paid-in equity capital of less than the equivalent of US\$200,000.</li> <li>• Micro and small domestic market enterprises with paid-in equity capital of less than the equivalent of US\$100,000 if their businesses involve the introduction of advanced technology, endorsed as a startup, or employ at least 15 direct employees, majority of whom must be Filipinos, etc.</li> </ul>

# Philippines – Key Legal Considerations

## Starting a Business in Philippines

- A person who intends to carry out any business activity in the Philippines must register the business under Philippine law. Failure to do so may result in penalties.
- The main types of business entities in the Philippines are:
  - Sole-proprietorship (one owner).
  - Partnership (two or more owners).
  - Corporation (separate personality from shareholders, including branches and subsidiaries of foreign corporations).
  - Cooperative (collective, democratic ownership).
- **Most common business vehicle for foreign investment:** Corporation.
- The registration process for a corporation is as follows:
  - Register the corporation with the Securities and Exchange Commission ("**SEC**") for the creation of the corporation. The SEC is responsible for registering and supervising all corporations and partnerships organised in the Philippines, and for licensing of representative offices and branch offices. This involves enrolling with the SEC's eSPARC Regular and OneSEC Portals.
  - Register the corporation with the Bureau of Internal Revenue ("**BIR**") for corporate taxation. The BIR is the government agency that assesses and collects all national internal revenue taxes, fees, and all charges.
  - Obtain business permits from the Local Government Units of the location where a foreign investor wants to establish its business and from other government agencies such as Department of Labor and Employment, Social Security System, etc.

## Foreign Exchange Control

- Bangko Sentral Ng Pilipinas ("**BSP**") allows Philippine residents and non-residents to purchase foreign exchange (FX) from:
  - authorised agent banks (AABs);
  - banks' subsidiary/affiliate foreign exchange corporations (AAB-forex corps);
  - non-bank entities operating as foreign exchange dealers (FXDs); and/or
  - money changers (MCs);to fund legitimate foreign exchange obligations, subject to the provision of information and/or documents.
- A person may import or export, or bring with him into or take out of the country, or electronically transfer, legal tender Philippine notes and coins, checks, money order and other bills of exchange up to PHP50,000. Beyond this limit, prior written authorisation from BSP is required.
- A person may freely bring into or take out of the Philippines foreign currency and other bearer monetary instruments in amounts up to US\$10,000 or its equivalent in other foreign currencies. Beyond this limit, prior written declaration is required using the foreign currency declaration form upon arrival or departure from a Philippine port.

## Corporate Tax

- A domestic corporation is subject to tax on its worldwide income, while a foreign corporation is subject to tax only on income from Philippine sources.
- The standard corporate tax rate is 25% for domestic and foreign corporations. By way of exception, domestic corporations whose taxable income do not exceed PhP5 million and whose total assets do not exceed PhP100 million are subject to 20% income tax rate.

# Thailand

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- **Thailand's GDP expanded 2.3% in Q2 2024** which represents a slight acceleration from the previous quarter. The Thai government expects 2024 GDP growth at 2.3-2.8%.
  - In terms of **FDI, investments grew by 72%** in 2023 at US\$24 billion. Inflows to priority sectors such as **BCG (Bio-Circular-Green), electric vehicles, smart electronics, digital, and creative industries** pushed the surge in FDI.
  - **China** had the largest share of investment applications worth about US\$5.9 billion or about a quarter of total FDI. After China, the largest investors were **Singapore, the United States** and **Japan**.
  - Thailand's economy continues to benefit from the resumption in **international travel and tourism**. Consequently, tourism and consumer stocks offer attractive investment possibilities but uncertainty on the current political climate continue to grapple the Thai economy.
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# Thailand

Country Facts		Sources of Law	
<b>Population</b>	Over 70 million	<b>Constitution</b>	<ul style="list-style-type: none"> <li>• Prevails over other laws.</li> <li>• Establishes basic framework for the three organs of state: (1) executive; (2) legislature; (3) judiciary.</li> </ul>
<b>Capital</b>	Bangkok		
<b>Languages</b>	Thai	<b>Court Precedents</b>	<ul style="list-style-type: none"> <li>• Although court decisions do not generate binding precedent, rulings are significantly influenced by decisions of higher courts and other past rulings or legal interpretations.</li> </ul>
<b>Currency</b>	Baht	<b>Legislation</b>	<ul style="list-style-type: none"> <li>• Acts, statutes and codes adopted by the National Assembly, take precedence over subordinate legislation.</li> <li>• Royal Decrees and Emergency Decrees also take precedence over subordinate legislation.</li> </ul>
<b>Legal Framework</b>		<b>Subsidiary Legislation</b>	Subordinate legislation includes, for example: <ul style="list-style-type: none"> <li>• Government regulation</li> <li>• Ministerial Regulations</li> <li>• Royal Ordinances</li> <li>• Notifications</li> </ul>
Thailand is a constitutional monarchy with the monarch as head of state and the Prime Minister as head of government.			

## Three Organs of State

Executive	Legislature	Judiciary
<ul style="list-style-type: none"> <li>• Led by the monarch as the head of state and the Prime Minister as the head of government.</li> <li>• Consists of the Council of Ministers who are nominated by the Prime Minister and appointed by the monarch.</li> <li>• Responsible for the administration and management of various government agencies and departments, and the formulation of policies.</li> <li>• Allowed to submit bills to the National Assembly for consideration.</li> </ul>	<ul style="list-style-type: none"> <li>• The bicameral National Assembly or Rattasapha consists of the Senate and the House of Representatives.</li> <li>• The House of Representatives is the primary legislative house of the government of Thailand.</li> </ul>	<ul style="list-style-type: none"> <li>• Consists of four distinct court systems, including the Court of Justice.</li> <li>• The Court of Justice has general jurisdiction over civil and criminal matters.</li> </ul>

# Thailand – Key Legal Considerations

## Foreign Investment Policies

Thailand generally welcomes foreign investment. However, some sectors are subject to foreign equity restrictions.

### Foreign Business Act 1999 sets out three lists of sectors that are subject to different levels of restrictions for foreigners:

**List One** – Foreign companies\* are **strictly prohibited** from operating a business in nine business sectors, namely:

- Land trading.
- Press, radio broadcasting station or radio and television station business.
- Rice farming, plantation or crop growing.
- Livestock farming.
- Forestry and timber processing from a natural forest.
- Fishery, only in respect of the catchment of aquatic animals in Thai waters and specific economic zones of Thailand.
- Extraction of Thai medicinal herbs.
- Trading and auction sale of Thai antique objects or objects of historical value of Thailand.
- Making or casting Buddha Images and monk alms-bowls.

**List Two** – Foreign companies\* are **subject to the conditions** set out below to operate a business in certain prescribed business sectors which: (1) are related to national safety or security; (2) have impacts on arts, culture, traditions, customs and folklore handicrafts; and (3) have impacts on natural resources or the environment:

- obtain a license from the Department of Business Development ("DBD") of the Ministry of Commerce, along with an approval from the Thai Cabinet; and
- be at least 40% owned by Thai nationals or Thai juristic persons (the 40% threshold may be lowered by the Minister with the approval of the Council of Ministers).

**List Three** – Foreign companies\* must obtain a license from the director general of the DBD, along with approval from the Foreign Business Committee to operate various types of businesses which Thai nationals are not ready to compete with foreign parties, including businesses relating to:

- Advertising.
- Hotel (except hotel management services).
- Retail sale of goods (unless the company's registered capital is THB100 million or more or the minimum capital of each store is THB20 million or more).
- Sale of food and beverages
- Construction (with some exceptions).
- Service businesses (except certain service activities provided to their subsidiaries/affiliated companies, or as otherwise excluded by Ministerial Regulations).

#### \*Foreign company:

A company that is not registered in Thailand or if it is registered in Thailand but at least half of its capital is held by non-Thai natural or juristic persons.

Further restrictions on foreign ownership in specific sectors, such as telecommunications, banking, or insurance, are regulated in specific laws pertaining to these sectors.

# Thailand – Key Legal Considerations

## Starting a Business in Thailand

- Prior to starting a business activity in Thailand, a person must determine the types of business entities which would be suitable and/or required by law for the conduct of such business activity in Thailand.
- DBD regulates the registration of business entities in Thailand. The main types of business entities in Thailand are:
  - Partnerships (including ordinary partnerships and limited partnerships).
  - Companies (including private limited companies and public companies).
  - Branch of foreign company.
  - Representative or regional office.
- **Most common form of business vehicle used by foreign companies:** Private limited company (for most types of business activity).
- The incorporation of a limited company must be registered with DBD. The process involves, among other things, reserving a company name, as well as filing and registering a Memorandum of Association, Articles of Association and other incorporation documents. At least two natural persons (promoters) are required by law to establish a private limited company.

## Corporate Tax

- Tax resident business vehicles are subject to corporate income tax in Thailand on worldwide income. The standard corporate income tax is 20% of the net profit, with reduced rates for qualifying small and medium-sized enterprises.
- Non-tax resident business entities not carrying out business in Thailand must pay income tax on the gross amount of their Thai-sourced income at a rate of 15% (or 10% for dividends) of the gross receipts. Non-tax resident business entities that carry on business in Thailand are subject to corporate income tax in Thailand.
- Any Double Tax Agreement which Thai Government signs with the government of a specific country must be considered on a case-by-case basis.

## Foreign Exchange Control

- All foreign exchange transactions must be conducted through authorised banks, authorised money changers, or authorised money transfer agents that are granted foreign exchange licenses by the Minister of Finance.
- Foreign currencies or baht can be transferred or brought into Thailand without limit.
- Any person receiving foreign currencies from abroad in an amount equivalent to US\$1 million or above is required to repatriate such funds immediately within 360 days from the export date or the transaction date and sell to an authorised agent or deposit them in a foreign currency account with an authorised agent within 360 days of receipt or repatriation.
- To purchase foreign currency from authorised agents (e.g. commercial banks), an application must be submitted with an authorised agent of the Bank of Thailand ("BOT") notifying the purposes of purchase. Supporting documents would be required if: (i) the authorised agent has not performed the Know Your Business (KYB) process on the purchaser of foreign currency; and (ii) the transaction is in an amount equivalent to US\$200,000 or above. Supporting documents will be varied depending on the purpose of purchase. Additionally, for certain purposes of foreign exchange specified under the laws on exchange control (i.e., negative list), a prior approval from the BOT is required.

# Vietnam

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- **Vietnam's GDP growth led the region, posting an acceleration of 6.9% in Q2 2024.** While weaker exports due to slowing overseas demand and inflationary pressures continue to weigh down on the economy, the growth rate represents the highest among ASEAN nations.
  - In 2023, FDI increased to US\$36.6 billion, a rise of 32.1% from the previous year with **manufacturing, especially the electrical and electronics industries**, drawing the most investment.
  - Investors from Asia, including **ASEAN**, as well as **China, Japan** and the **Republic of Korea**, were prominent.
  - **Greenfield investment announcements rose 120%** to US\$26 billion, reflecting strong investor interest.
- 



# Vietnam

Country Facts		Three Organs of State		
<b>Population</b>	Approximately 100 million	<b>Executive</b>	<b>Legislature</b>	<b>Judiciary</b>
<b>Capital</b>	Hanoi			
<b>Languages</b>	Vietnamese			
<b>Currency</b>	Dong			
<b>Legal Framework</b>		<ul style="list-style-type: none"> <li>Made up of the Government that is the executive branch of the National Assembly.</li> <li>The Government is elected by the National Assembly and led by the Prime Minister.</li> <li>Highest organ of state administration.</li> </ul>		
Vietnam is a socialist republic with a one-party system.		<ul style="list-style-type: none"> <li>Made up of the unicameral National Assembly.</li> <li>The National Assembly enacts and amends the Constitution and laws, supervises the Government and other holders of public powers, and appoints members of the judiciary.</li> </ul>		
<ul style="list-style-type: none"> <li>The People's Court consists of the Supreme People's Court, the People's High Court, Provincial People's Courts, District People's Courts and Military Courts that enforce laws and justice.</li> </ul>				

## Sources of Law

Constitution	Court Precedents	Legal Instruments
<ul style="list-style-type: none"> <li>Fundamental law of Vietnam.</li> <li>All other legal instruments must conform to the Constitution.</li> <li>Establishes basic framework for the three organs of state: (1) legislature, (2) executive; (3) judiciary.</li> </ul>	<ul style="list-style-type: none"> <li>Certain judgments selected by the Council of Judges of the Supreme People's Court will be adopted as precedents for application by other courts.</li> <li>Cases with similar facts need to apply the precedent to ensure consistency with the results. Any deviation by a judge from the precedent must be explained.</li> </ul>	<p>Primary and fundamental sources of law in Vietnam (apart from the Constitution).</p> <ul style="list-style-type: none"> <li>Legal instruments issued by higher authorities have greater hierarchy.</li> <li>Examples of legal instruments:               <ul style="list-style-type: none"> <li>Codes, Laws and Resolutions of the National Assembly</li> <li>Ordinances and Resolutions of the Standing Committee of the National Assembly</li> <li>Orders and Decisions of the President</li> <li>Decrees of the Government</li> <li>Decisions of the Prime Minister</li> <li>Resolutions of the Council of Judges of the Supreme People's Court and the Circulars of the Chief Justice of the Supreme People's Court</li> <li>Circulars of the President of the Supreme People's Procuracy</li> <li>Circulars of Ministers or Heads of ministerial level agencies</li> <li>Decisions of the State Auditor General</li> <li>Joint Resolutions of the Standing Committee of the National Assembly or the Government and the central offices of socio-political organizations</li> <li>Joint Circulars of the Chief Justice of the Supreme People's Court and the President of the Supreme People's Procuracy; those of Ministers or Heads of ministerial level agencies and the Chief Justice, President of the Supreme People's Procuracy, those of Ministers or Heads of ministerial level agencies</li> <li>Legal documents of People's Councils and People's Committees (including at provincial, district, commune and ward level)</li> </ul> </li> </ul>



## Vietnam – Key Legal Considerations

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### Foreign Investment Policies

Law on Investment ("LOI") is the key law governing foreign investment, regulating the establishment of investment projects and investment activities in Vietnam. There are also specific regulations governing foreign investment for certain industry sectors.

Foreign investors are entitled to carry out investment activities in business lines that are not banned by the LOI. Foreign investors enjoy the same market access conditions as applied to Vietnamese investors, subject to business lines in the "negative list" set by the Government (currently under Decree 31/2021/ND-CP ("**Decree 31**")). There are two types of negative lists:

#### Prohibited List

Foreign investors are not allowed to invest 25 sectors set out in Decree 31. These sectors include press activities, news collection activities, public postal services, fishing, industrial property representative services and intellectual property assessment service, merchanting trade of goods, etc.

#### Conditional List

Foreign investments are only allowed in a list of 58 sectors prescribed in Decree 31 if the relevant market access conditions are satisfied. The market access conditions are published by the Ministry of Planning and Investment on the National Investment Portal. Sectors which are subject to restricted market access include education services, advertising services, manufacturing and distributing media products (including video recordings), tourism services, health and social services, logistics services, e-commerce activities, etc.

In addition to the above Prohibited List and the Conditional List which are applicable to foreign investments, a foreign investor should find out whether the sector that it is investing in is subject to a set of general requirements on investments which apply to **both domestic and foreign investments**. These include a separate list of **sectors which are closed for investments or subject to market access conditions**.

# Vietnam – Key Legal Considerations

## Starting a Business in Vietnam

The LOI sets out the forms of direct investment that a foreign investor is permitted to carry out. The most commonly adopted forms include:

Forms of Direct Investment	Key Features
<b>100% foreign-owned company ("FOC")</b>	<ul style="list-style-type: none"><li>Foreign investor owns 100% capital of a company established to carry out the intended business.</li><li>Foreign investor must register the project to receive an Investment Registration Certificate ("IRC"). After obtaining the certificate, the foreign investor would register the establishment of the enterprise and receive the Enterprise Registration Certificate ("ERC").</li><li>IRC and ERC are subject to the approval of relevant investment registration and business registration authorities (which, in centrally controlled cities such as Ho Chi Minh City and Hanoi, are often under the Department of Planning and Investment).</li></ul>
<b>Joint venture company ("JVC")</b>	<ul style="list-style-type: none"><li>Foreign investor incorporates a company to carry out the intended business together with domestic investor/s.</li><li>The same requirement for obtaining an IRC and ERC can apply for a JVC.</li></ul>
<b>Business cooperation contract ("BCC")</b>	<ul style="list-style-type: none"><li>Foreign investor enters into a contract with a party in Vietnam to carry out the intended business, without incorporating a company.</li><li>IRC must be obtained for BCC involving foreign investors.</li></ul>

A foreign investor who adopts an FOC or a JVC to carry out the intended business may choose to incorporate:

- Limited liability company which may be incorporated with one to 50 members; or
- Joint stock company which requires at least three shareholders.

The National Business Registration Portal (NBRP) acts as an official database on business registration, which records all registered information of the enterprises established and operating in Vietnam.

# Vietnam – Key Legal Considerations

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## Foreign Exchange Control

Foreign exchange is heavily regulated in Vietnam. The remittance of foreign currencies offshore is only permitted in a limited number of circumstances, including:

- Remittance of the invested capital and profits;
- Repayment of offshore loan and payment of interest and fees relating to the loan;
- Payment for imports; and
- Funding permitted activities such as expenses of offshore office or offshore investment.

Save in certain exceptions, within Vietnam, all transactions, payments, listings, advertisements, quotations, pricing, written prices on contracts, agreements and other similar forms must be effected in Vietnamese Dong.

## Corporate Tax

- Business vehicles established in Vietnam are subject to corporate income tax and taxed on worldwide income. The standard corporate income tax rate is 20%. Preferential tax rates are available when certain criteria are met.
- Certain industries may have a higher tax rate applied (for example, oil and gas and other rare natural resources operations (ranging from 32% to 50%) and platinum, gold, silver, tin, tungsten, antimony, precious stones, and rare earth mining (ranging from 40% to 50%)).



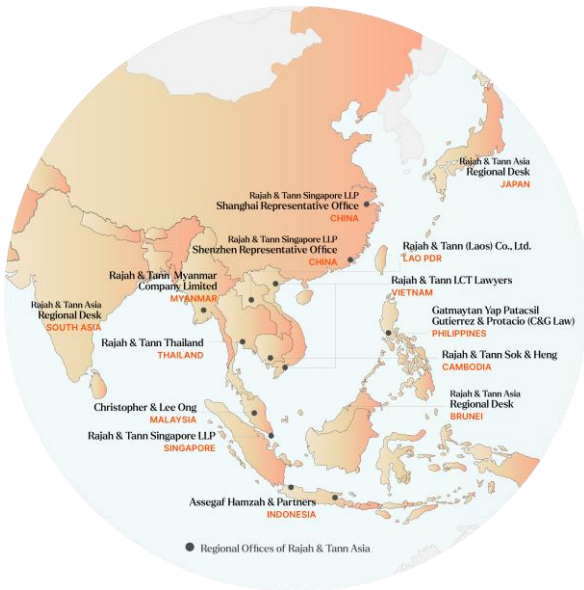


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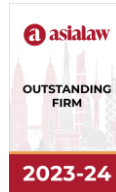
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# ASEAN ECONOMIC & LEGAL UPDATE

2024

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