

PwC Korea Southeast Asia Platform



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Numerous Korean companies are paying attention to the Southeast Asian market due to the region's strong growth potential. Despite the high level of interest and the region's potential, businesses are faced with limited information about the Southeast Asian market and companies. Furthermore, those that have entered the region find it challenging to overcome the cultural, legal and administrative barriers.

PwC Korea, together with the Global PwC Network's Southeast Asia experts, provides a wide range of advisory services for businesses that are entering or investing in the Southeast Asian market. With its local experts, PwC Korea also provides advisory services tailored to the needs of business operations in the region.

PwC Korea's Southeast Asia platform offers comprehensive and specialized advisory services to our clients, supporting them in the successful entrance, investment, and expansion in the Southeast Asian market.



Overview of Key Countries in Southeast Asia

Thailand



Population

71.7 Mn



Economic Growth

2.6%



Key Resources

Natural Rubber: World #1
Palm Oil: World #3

- Nominal GDP: USD 495 Bn (approx. KRW 648 Tn)
- Nominal GDP per capita: USD 6,910

- Thailand's 3 key industries are: manufacturing, tourism, and agriculture. It has the largest manufacturing capability in the ASEAN region
- It is emerging as a prominent hub for the EV industry, being the largest production site for automobiles and electric/electronic products in the ASEAN region
- The government's "Thailand 4.0" initiative is driving Thailand's transformation of its industrial ecosystem, with a focus on fostering 12 key industries

Singapore



Population

5.64 Mn



Economic Growth

3.6%



Key Resources

N/A

- Nominal GDP: USD 466 Bn (approx. KRW 611 Tn)
- Nominal GDP per capita: USD 82,807

- Singapore is responding to various global issues by focusing on the semiconductor and environmental industries
- It is striving to stimulate the economy with greater employment opportunities and national productivity
- It is fostering a corporate-friendly environment to grow its open market economy
- Despite Singapore's relatively small domestic market size, many opportunities exist for global companies in e-commerce, green technology, etc.

Vietnam



Population

98.2 Mn



Economic Growth

8.0%



Key Resources

Coffee: World #2

Natural Rubber: World #3

- Nominal GDP: USD 408 Bn (approx. KRW 535 Tn)
- Nominal GDP per capita: USD 4,163.5

- Through numerous bilateral and multilateral free trade agreements, Vietnam possesses infrastructure that is conducive to manufacturing and exports to its neighboring countries
- Vietnamese government is increasing the use of renewable energy and achieve net-zero emissions by 2050 to reach the goals outlined in the 8th National Power Development Plan

Indonesia



Population

275.5 Mn



Economic Growth

5.3%



Key Resources

Palm Oil: World #1

Natural Rubber: World #2

- Nominal GDP: USD 1,320 Bn (approx. KRW 1,728 Tn)
- Nominal GDP per capita: USD 4,788

- Indonesia's economy is recovering to its pre-COVID level. Its government is pursuing a transition from an economy dependent on raw material exports and simple assembly to an economy empowered by high-value industry
- Its economic policies are focused on maintaining the growth of Indonesia's digital industry, which has been accelerated by COVID-19

* Sources: The World Bank (2022)

Stages of Market Entry into Southeast Asia

A successful entry into the Southeast Asian market must be accompanied by a meticulous, strategic review of the investment plan, as well as a precise execution of the plan throughout the entire investment cycle. PwC Korea offers various practical advisory services tailored to the client's needs.

Stage 1 Preliminary Review

When it comes to investing in Southeast Asia, it is crucial to first identify key risk factors and review countermeasures. This review begins with an examination of local laws and regulations pertaining to investments, including licensing requirements in each country. Additionally, an evaluation of the entry method, along with a review of tax incentives and market research, is essential to assess the plan's economic feasibility.

- **Market Research**
- **Feasibility Study**
- **Review of Structures and Tax Incentives by Entry Method**
- **Analysis of Investment Environment and Target**
- **Review of Environmental Regulation and Laws Pertaining to the Investment**

Stage 2 Investment Execution

- **Buy-side Advisory** : Leverage PwC Network in Southeast Asia to provide a "One-Stop" M&A Service, including buy-side advisory (target screening and negotiation support), buy-side FDD, valuation, PMI, etc.
- **Feasibility Study** : Review the business plan's feasibility by conducting local market / industry analysis, providing a comprehensive opinion on investment rationale through a cash flow analysis (NPV, IRR, Payback Period, etc.) based on the company's business plan and expected P/L.
- **Investment Incentive Review & Government Negotiations Support** : Review applicable investment incentives and, if required, provide support for direct negotiations with government agencies.
- **Site Selection and Negotiations Support** : Support identification and selection of site that is most suitable for a company's business objectives. Support purchase of the site at most advantageous terms after a thorough comparison of terms and assist negotiations with the landowner or industrial authorities, if required.
- **Investment Structure Review** : Review optimal investment structure that is most efficient in Southeast Asia and is best aligned with the company's business objectives.
- **Support Local Incorporation** : Provide comprehensive local incorporation services, including document preparation and process management to ensure the incorporation process is finished in a timely manner.
- **Support Initial Set-up of Operations** : Support initial establishment of the local company's operational systems such as finance, accounting, and HR.



Stage 3 Business Operation

- **Audit** : Offer statutory audits for local subsidiaries and/or preparation of consolidation audit packages in line with the preparation of HQ's consolidated financial statements.
- **Tax Reporting and Tax Planning** : Provide tax reporting in compliance with the local tax and other regulations, and tax planning to minimize tax burden.
- **Tax Audit Support** : Assist the local tax team to respond to tax audit by the local tax authority (including TP) to minimize tax burden.
- **Diagnose Local Branches/Subsidiaries** : Diagnose compliance with the local regulations as well as with the HQ policies.
- **Establish Internal Control over Financial Reporting System (K-SOX, US-SOX)** : Provide a tailored service for the establishment of ICFR system fit for both HQ and local subsidiaries.
- **Process Improvement Consulting** : Provide consulting services for key management processes such as HR, environment, cost reduction, logistics, supply chain, and more.

Stage 4 Divestment & Exit Strategy

When considering divestment and exit, regulations (tax) pertaining to different exit strategies including, but not limited to, M&A, IPO, capital reduction, liquidation, and dormancy, as well as market reputations, ease of exit and safe transfer to the home country need to be carefully reviewed for the selection of the optimal strategy. The strategy needs to be executed in line with local regulations and fulfill social responsibilities in order to mitigate any disadvantages associated with divestment and any potential HR issues. Moreover, impact on the company's business in the region should be minimized by carefully considering the local culture and relationships with neighboring countries.

- **Sell-side Advisory (Assets, Shares)** : Sale of assets and/or shares is one of the most convenient exit strategies, where PwC can assist in locating appropriate buyers in the market, reaching a suitable sales price, and preparing for negotiations. Local advisor's assistance is crucial as sale of assets or shares can incur capital gain taxes both in Korea and the target country, with complex administrative processes required by local authorities.
- **Shutdown of Local Subsidiaries** : PwC can assist with shutdown procedures once the decision to shutdown local subsidiaries or branches has been made.

Advisory Services by LoS

PwC's Southeast Asia Platform has many multilingual experts, and we can leverage our experience and expertise to provide advisory services on the optimal investment structure.



Assurance

One of the first challenges faced by companies entering the Southeast Asian market is the complex and unfamiliar accounting standards and financial control systems, which can vary substantially from those in the home country. Typically, Korean parent companies require tougher standards on accounting transparency and financial reporting. Thus, alignment and integration with local accounting principals and financial environments is becoming increasingly important.

PwC Korea provides the following services for companies entering the Southeast Asian market:

- Audit and Review of Financial Statements (Local accounting standards and IFRS)
- ICFS (Internal Control over Financial Reporting) Services (K-SOX / US-SOX)
- Capital Market Services
- General Accounting Advisory
- Advisory on the Adoption and Application of the New IFRS Standards (IFRS 9, IFRS 15, IFRS 16 etc.)
- Risk Assurance Services, such as Internal Audit Support
- Other Services, including Incorporation, Operation, Bookkeeping, Payroll, Liquidation, etc.*

* Services that can be provided may vary depending on local circumstances

Tax

Countries in Southeast Asia grant various tax benefits based on their economic conditions and government policies. Companies entering the market can maximize profitability and achieve their business & investment objectives by utilizing the diverse tax incentives, while complying with the local tax laws. In particular, local subsidiaries in Southeast Asia often encounter challenges in tax management due to unclear tax administration. Therefore, it is crucial to seek the assistance of local tax experts with extensive knowledge of local laws.

PwC Korea can help businesses utilize the diverse tax incentives offered by local governments, making the most out of tax opportunities. Additionally, PwC Korea can help companies identify tax risks associated with local operations and develop tax strategies needed to achieve business objectives.

- Outbound Investment Planning and Structuring
- Tax Incentives Advisory
- Corporate Tax, VAT Reporting
- Income Tax Reporting for Local Expatriates
- Transfer Pricing
- Custom Tax Diagnosis, Pre-assessment of Customs Risks, and Customs Tax Audit Assistance
- "Tax health-check Service" and Tax Audit Assistance
- FTA Advisory
- Pre-tax Audit and General Tax Consulting
- Tax Audit and Tax Audit Assistance
- Exit Structuring Following M&A or Exit
- Other Tax Consulting



Deals

Despite promising growth potential of the region, it is very difficult to get the information needed to analyze Southeast Asia's investment landscape and companies, such as macroeconomic indicators, administrative and legal regulations pertaining to foreign investment, and industry-specific market size. Additionally, countries impose restrictions on shares owned by foreigner entities and post-acquisition performance of the target can fluctuate depending on the level of experience and capability of each stakeholder (JV shareholders, etc.). Therefore, direct investment through acquisition or establishment of JVs with local partners must be followed by assistance from local advisors with appropriate network and credentials.

PwC Korea advises its clients throughout the whole deal continuum, from the initial investment or acquisition up to the exit. Professionals at PwC can leverage their in-depth understanding of the processes and contingent risks gained from numerous Cross-border M&A transactions, providing countermeasures and solutions for issues that may arise throughout the deal process to facilitate a successful M&A transaction.

- Buy-side M&A Advisory
- Joint Venture and Strategic Cooperation Advisory
- Financial and Commercial Due Diligence
- Dispute Support
- Valuation and Value-add Strategy Advisory
- Feasibility Study
- Due Diligence on Infrastructure, Energy, Utilities, and Mining Capital Projects

Consulting

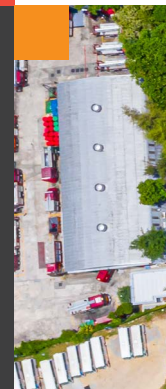
For a successful overseas expansion, tailored market entry and investment strategy must be established with sufficient analysis of local market conditions and competitive landscape. Even after entering the market, companies should respond timely to fast-changing market conditions and competitive landscapes, as well strive for stability and growth through continuous diagnosis and improvements. Therefore, it is imperative to get the assistance of local expert consultants who are fully equipped with the necessary local knowledge and experience.

PwC Korea can leverage its global network to conduct market analysis and to develop optimal strategies for companies to successfully enter overseas markets.

- New Business and Go-to Market Strategy
- Deal Strategy
- Post-Merger Integration (PMI)
- Long-term Strategy
- Competitive Advantage Strategy
- SCM & Logistics Optimization
- Cost Reduction

Southeast Asia Platform Team

PwC Korea is committed to addressing the challenges faced by Korean companies opting to expand into Southeast Asia. We will provide the best advisory services leveraging our expertise and global PwC network to help our clients achieve the desired objectives.



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S/N: 2402W-BR-004

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