Simpler merger code to further boost China's overseas M&A push

REUTERS, *Hong Kong*

REUTERS/FILE

A woman stands on an overhead bridge, in Beijing's central business district.

China is planning to remove the need for State Council approval for large, sensitive outbound deals and will allow Chinese companies to vie for the same target, a move likely to further boost record overseas acquisitions by Chinese companies.

China's chief outbound investment regulator, the National Development and Reform Commission (NDRC), has published draft rules aimed at both speeding up approvals and allowing head-to-head competition between Chinese bidders.

Under the proposed rule changes, Chinese companies seeking to carry out a deal of $2 billion or more in sectors or countries that China deems sensitive will no longer need approval from the State Council, or to provide proof of financing.

The State Council, China's cabinet, is chaired by Premier Li Keqiang and includes the heads of major departments and agencies. Sensitive deals will still need the approval of the NDRC and the Ministry of Commerce, or MOFCOM, China's other investment regulator.

The State Council, NDRC and MOFCOM did not respond to Reuters' requests for comment.

The NDRC has also proposed reducing the role its regional bureaus play in approving regular deals, a move that should strip out an extra layer of red tape faced by companies based in far-flung provinces.

The draft was published online in early April, just as China's outbound push seemed to have stalled following Anbang Insurance Group Co's decision to drop a $14 billion bid for Starwood Hotels, but has not been widely reported.

The proposal would also remove the NDRC's discretionary power to operate an informal policy of giving one Chinese company the exclusive right to bid for an overseas deal.

This policy was aimed at preventing competition among Chinese bidders at the expense of the state, but has been criticized by market participants.

"The new proposal is very encouraging, as it shows the NDRC is moving away from this regime and more toward a market-driven process," said Xiong Jin, international partner at law firm King & Wood Mallesons in Beijing.

The new rules are expected to come into force soon after the consultation closes on May 13.

The NDRC proposal is the latest move by the Chinese government to relax its outbound investment rules after it began an overhaul of the opaque and complex regime in 2014 in a bid to spur Chinese companies to buy up strategic assets in sectors including food and technology.

The overhaul helped trigger an M&A frenzy that saw Chinese buyers delivering a record $104 billion of outbound deals last year, nearly double that of 2014, according to Thomson Reuters data. The tally so far this year is $97 billion. In a landmark change, Beijing moved in 2014 to a filing-based registration system for outbound investments.

That meant that a vast majority of China overseas M&A no longer required approvals, but only a registration with the NDRC and MOFCOM, with filing confirmations typically issued in around seven working days.

Only investments in sensitive sectors such as media and telecoms, or sensitive countries such as those under sanctions, remained subject to review and approval by the NDRC and MOFCOM, with deals of $2 billion or more needing the blessing of the State Council.

"Over the past two years, the government has been relaxing the outbound investment rules to push more Chinese companies to go global, but the rules are still not very straightforward and there can be some ambiguity around the thresholds for approvals," said Nanda Lau, a partner at law firm Herbert Smith Freehills in Shanghai.

"The latest NDRC proposal should simplify and expedite the approval process, and will also level the playing field increasing competition between bidders."

The NDRC and MOFCOM approval process normally takes around 20 business days, but this can extend up to three months if State Council approval is required.

But China's need to keep a lid on capital outflows means Chinese investors cannot expect an entirely smooth ride, even under the proposed new regime.

HTC sales plunge pushes firm to a loss

BBC NEWS

A sharp plunge in sales has pushed the Taiwanese phonemaker HTC into a loss for the three months to March, as it struggles to compete with the likes of Apple and Samsung.

Revenue for the first quarter dropped 64 percent to 14.8 billion Taiwanese dollars ($456 million), while the net loss was 2.6 billion Taiwanese dollars, compared with a profit the year before.

The company is pinning its hopes on its new HTC 10 phone to revive fortunes. It has also been cutting costs. The HTC 10 smartphone was unveiled last month with an "ultraselfie" front camera designed to reduce the risk of blurry shots.

The company is also investing in virtual reality with the launch of Vive - a virtual reality headset that offers more features than its competitors and is more expensive as a consequence.

"The media and consumer buzz around HTC, including for the keenly-awaited launches of the flagship smartphone and Vive virtual reality system, clearly demonstrate our leadership in innovation and have provided a great boost to the HTC brand," said Cher Wang, chairwoman and chief executive of HTC in a statement.

Chief financial office Chialin Chang added that the company was hoping that the smartphone business would break even in the third quarter.

Five years ago, HTC was the world's fourth bestselling smartphone maker with a market share of about 9 percent.

But in 2015, it fell to 17th place with a share of about 1 percent, according to research firm IDC.

Support among businesses rises for UK staying in EU: poll

REUTERS, *London*

The number of company bosses in Britain who want the country to stay in the European Union has risen slightly but just over half think Britain would eventually prosper on its own, according to a survey published on Monday.

The Institute of Directors lobby group said 63 percent of executives who took part in its survey wanted to stay in the EU, up from 60 percent in a previous poll in February.

Twenty-nine percent wanted Britain to leave the bloc, down from 31 percent, while 8 percent answered "don't know".

IoD director general Simon Walker said the importance of the EU's single market and the ability to hire skilled workers from across the bloc were making business leaders increasingly supportive of staying in the EU.

Crude prices up on Canada fires, Saudi oil minister replacement

AFP, *Singapore*

Crude prices extended gains in Asia Monday as raging wildfires hit production in Canada, while traders digested news that Saudi Arabia had replaced its oil minister.

At about 0630 GMT, US benchmark West Texas Intermediate for June delivery was up 78 cents, or 1.75 percent, at $45.44 a barrel while North Sea Brent for July was up 56 cents, or 1.23 percent, at $45.93.

Saudi Arabia, the biggest exporter in the Opec producers' group, on Friday replaced Ali al-Naimi -- who had been in his post for two decades -- with a close ally of the deputy crown prince.

He will be replaced by Khaled al-Falih, the longtime head of state oil giant Saudi Aramco and an ally of Prince Mohammed bin Salman, who has taken charge of economic policy and has embarked on a drive to transform the economy to reduce its dependence on oil.

"The appointment of a new minister shows that the Saudis are trying to rejuvenate the market and are serious about trying to reduce production," CMC Markets senior sales trader Alex Wijaya told AFP.

"So there's a lot of positive outlook in the markets, which we're seeing translate into higher prices," Wijaya said.

Naimi was one of the most powerful figures within the Opec oil cartel but his influence has recently appeared to have been curbed by the growing power of Prince Mohammed.

The raging wildfires in Canada's Alberta region have forced producers to cut output by a million barrels a day. The blaze is ravaging the area around Fort McMurray, the centre of Canada's massive oil sands deposits that are the world's third largest, and forced producers to shut down operations.

However, price rises were tempered by data showing another fall in Chinese exports and imports last month, in the latest sign of weakness in the world's second largest economy and top energy consumer.

"This may further apply pressure on oil prices," said EY oil and gas analyst Sanjeev Gupta.