

What are the administrative procedures under the Foreign Investment Promotion Act in case of splitting a foreign-invested company?

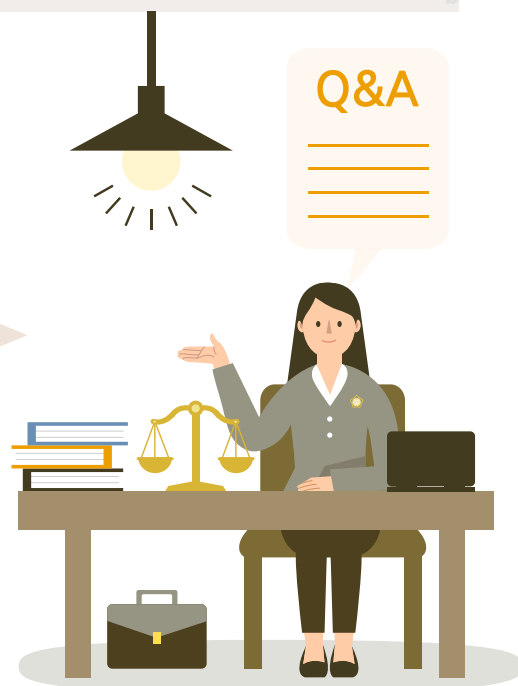
Every month, Invest KOREA provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.

Q.

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A.

When foreign-invested company A establishes new company B through a corporate split (a spin-off)*, this results in a capital reduction for the surviving foreign-invested company A. In this case, the foreign investor of company A should alter a registration of a foreign-invested company pursuant to Article 21 of the Foreign Investment Promotion Act to reflect the reduced amount of capital for the foreign investor and subtract the amount from the foreign investment amount.



- The foreign investor of new company B is also the foreign investor of foreign-invested company A and should notify the acquisition of the stocks of the new company B with the investment amount corresponding to the amount reduced by the spin-off and register the new company B as a foreign-invested company pursuant to Article 5 (2) 3 of the Foreign Investment Promotion Act.

* Company splits are divided into spin-offs and split-offs. Only spin-offs where paid-in capital (at par value) is divested are subject to notification under the Foreign Investment Promotion Act.

1) Spin-offs: All of the existing shareholders (including the foreign investor) of foreign-invested company A receive the stocks of new company B, equivalent to the number of total stocks and the amount of total capital reduce from the spin-off, in proportion to their shareholding ratios of foreign-invested company A. New company B is required to notify the reduced number of stocks and the reduced investment amount for the foreign investor pursuant to the Foreign Investment Promotion Act.

2) Split-offs: New company B is not subject to notification under the Foreign Investment Promotion Act because foreign-invested company A owns 100% of the stocks of new company B as its subsidiary without any reduction in the total par value of paid-in capital.

For further inquiries, please contact the Investment Consulting Center

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