

Target board's possible response to a hostile takeover attempt in China: a case study of Vanke vs Baoneng.

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Abstract

Due to the concentrated shareholder structure, lack of precedent and legal uncertainty, hostile takeovers remain a rare phenomenon in China. A shift towards more diversified shareholder structure and more sophisticated capital markets will inevitably increase the number of hostile takeovers in the coming years. Vanke, the biggest Chinese real estate developer has recently become a target of an unsolicited takeover attempt by Baoneng Group. While the battle is still ongoing, the practitioners and scholars from all over the world are in waiting on the further development of the events. If successful, this takeover is considered to be a milestone in the advancement of the market for corporate control in China. Thus, a thorough analysis of the Vanke's takeover as a case study can provide a unique insight into the current state of hostile takeover regulations in China as well as commercial and societal exigencies associated with the jurisdiction. Underlying the paper are questions whether the takeover regime permits the use of defensive mechanisms and what kind of tactics, if any, are allowed. The paper offers a range of possible responses that the target board can utilise in the face of hostile acquisition constrained by the law and other factors. By examining disclosed corporate documents, primary legal sources, regulatory responses and media coverage, the paper attempts to present not only the existing defences' regulations but also their enforcement in China. Since the battle is not yet completed, it is difficult to draw definitive conclusions; however, an exploration of the issues that have risen can help to understand how the takeover regime operates in the Chinese social, political and economic context. This paper offers a commercially contemporary addition to M&A scholarship that brings light to the issue of hostile takeovers in China, which is of interest to both business and legal scholars and, more generally, to the global business community.

The paper contains an original work that has not been previously published, presented or submitted elsewhere.
