

Paul Wan & Co

Public Accountants And Chartered Accountants of Singapore



Morison KSi
Independent member

THE PROFESSIONAL

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Contents

Message from the Managing Partner	
Singapore GDP Forecast	3
New Logo	4
Corporate Affairs	
Companies Act Reform	5
Taxation	
Profit Repatriation Strategies for Foreign Invested Enterprises in China	10
Engaging Tax Consultants	14
Tax Savings - Step by Step	17
Corporate Finance	
Project Investors & Acquisitions	19
Assurance	
Combating Money Laundering	20
Consulting	
Enterprise Performance Management	23
Marching into Greater China	28
Information Technology	
Rising Ransomware Attacks	30
Recent Events	
Photos	32

Message From The Managing Partner

Singapore GDP Forecast



**PAUL WAN,
MANAGING PARTNER**

As we passed the mid-year of 2016, Singapore is now bracing a slowdown in the economy. GDP for first 6 months came in at 2.1%

Divisional sectors such as construction, finance and insurance, business services, wholesale and retail trade, all registered a negative growth.

Not only domestic consumption is in a downtrend, so is export - this fell by 9% as compared with the preceding year.

We are seeing signs of tight liquidity in the market as companies drag their payments and this will face a ripple effect on cash flow of companies.

We do not expect both the Singapore and the world's economy to recover substantially for the rest of the year. However, we do expect Singapore's overall GDP for 2016 to be about 1.2%.

Message From The Managing Partner - continued

New Logo



Following the merger of Morison International and Kingston Smith International, Morison KSi unveil the new corporate logo.

The symbol consists of a series of connected interlocking blocks that are placed within the borders of a globe, to represent Morison KSi's international reach. Orange and navy are used to represent both a bold new outlook and the reliable quality of each of its member firms. The symbol is a sum of parts, much like the organisation itself, and is both dynamic and harmonious. The new identity introduces the Morison KSi brand to the world, and is used as an endorsement of quality and celebration of qualification for membership.

Morison KSi ranks 11th in the Accounting Association league table and has a worldwide revenue of US\$1.1 billion and have 375 offices across the 88 countries.

Companies Act Reform - Highlights Of Key Amendments Phase 2



The Companies (Amendment) Bill 2014 was passed by Parliament in October 2014. The amendments were effected in two phases, on 1 July 2015 (Phase 1) and 3 January 2016 (Phase 2). We have set out briefly below some of the key changes in Phase 2 that are especially relevant to private companies.

New exemption from preparation of financial statements for dormant non-listed companies

In the past, a dormant company is required to prepare financial statements although it is exempted from audit requirement.

The new exemption allows a dormant non-listed company (other than a subsidiary of a listed company) is exempt from audit requirement to prepare financial statements, if:

- A. the Company fulfills a substantial assets test, and
- B. the Company has been dormant from the time of formation or since the year of the previous financial year.

The substantial asset test is that the total assets of the company at any time within the financial year must not exceed \$500,000. For a parent company, the consolidated total assets of group at any time within the financial year must not exceed \$500,000.

Dormant listed companies and their subsidiaries, and dormant unlisted companies which do not fulfil the substantial asset test must prepare financial statements but are exempt from audit. This remains unchanged from the current position. A summary of the effect for dormant company is illustrated as tabled below.

EFFECT OF EXEMPTION FOR DORMANT COMPANIES

	Dormant non-listed company (excluding subsidiary of listed company) which fulfills the substantial assets test	Dormant listed company OR Dormant subsidiary of listed company OR Dormant non-listed company which does not fulfill the substantial assets test
Financial statements must be prepared	NO	YES
Financial statements must be audited	NO (Since no financial statements are prepared)	NO



Liberalising electronic transmission of notices and documents

To increase the efficiency and speed in communications for companies, both private and listed companies are endowed with greater freedom to communicate electronically with their members/ shareholders under the amended regime. It thus reduce cost for companies in sending out documents and notices to their members.

They are now allowed to pass written resolutions by email and also to use electronic means to transmit notices and other documents to their shareholders, provided that the approved mode of communication must be stated in the company's constitution.

Electronic register of members of private companies to be kept by ACRA

Prior to the amendment, private companies were required to maintain a physical register of members. To streamline the administrative process for companies, and allow greater access by the public, the following electronic registers which will be updated and maintained with ACRA under the amended regime.

1. ACRA's electronic register of members ("ROM") for private companies

Companies must register share ownerships and changes to such information, with ACRA, and the effective membership/ cessation date will be based on the real time registration. The ROM will be publicly available, and a company may access its own records for no charge.

2. ACRA's electronic register of directors, secretaries, auditors and chief executive officers, for all companies

A company must update the Registrar within 14 days after the date of change of director, secretary, auditor or chief executive officer. The word "manager" has been replaced by "chief executive officer", but the legal definition remains substantially similar. The register of managers is replaced by the register of chief executive officers, and details of any current managers in ACRA's records will be automatically transferred to and remain in the register of CEOs, until the registrar is notified by the company of any change.

Directors are allowed to report alternate address

To protect one's privacy, the Amendment Act allows a director to report an alternate address. It must be noted that the alternate address must be an address where the directors can be located and must be in the same jurisdiction as the residential address. It cannot be a PO box number.

The director must still provide his residential address to ACRA which will be kept confidential if he opts to publish his alternate address on public records. If the person is not

locatable at the alternate address or if ACRA has reasonable ground to believe that the provision has been misused, legal actions will follow and the person will not be allowed to use another alternate address for three years.

Merging of memorandum and articles into a single constitution

The memorandum and articles of association is merged into a single document called constitution and a person desiring to incorporate a company must submit the constitution of the company to ACRA.

A company may choose to adopt either the whole model (in force at the time of registration or from time to time) for the type of company to which it belongs, or part of the model. If it adopts a model constitution without amendments, it does not need to file the constitution but can refer to the type of constitution chosen during registration. In addition, the model constitution adopted can be either the constitution as at the point of registration, or whatever version of the constitution that is in force from time to time. If the company chooses the latter, there is no need for it to amend its constitution wherever changes are made to the model constitution.

New debarment regime

The Amendment Act empowered the Registrar, to debar individual directors and secretaries if they fail to submit any documents within three months of the prescribed deadline. If a person were debarred, he cannot take on any new appointment as a director or company secretary. However, he may continue with his existing appointments.



Before a debarment is made against a person, ACRA will send him a notice, at least two weeks beforehand. He will be required to explain why he should not be debarred. The debarred individual will be cleared upon rectifying their defaults.

Extensions of the types of loans permitted to directors to include quasi-loans, credit transactions and related arrangements

The Companies Act prohibit a company (excluding Exempt Private Companies (EPCs)) from making the loans, or providing guarantee or security in connection with loans made to its directors or family members of directors, or to directors of a related company. The Companies Act also prohibits a company from making loans to another company where the directors of the lending company have a stake of 20% or more.

The Amendment Act extends the above prohibition to quasi-loans, credit transactions or taking part in connection with such director-connected loans by the company; and loans, quasi-loans, credit transactions and related arrangements made or entered into for limited liability partnership ("LLP") connected to a company's directors (ie where a director is interested in 20% or more of the total voting power in that LLP).



Updates to the striking-off regime

The following updates have been made to the strike-off regime:

Any appeal to the court against striking-off of a company has to be made within a period of 6 years, as opposed to 15 years previously.

The 3 month "show cause" period for a company to respond to a notification in Gazette that it will be struck off, is reduced to 60 days.

Disqualification of directors of struck-off companies

A person who has served as a director of three or more companies which were struck off as a result of ACRA initiated reviews (within a period of 5 years) will be disqualified from acting as a director of any company, or participating in the management of any company for a period of 5 years from the date of strike-off of the last company.

Directors have to be wary of all compliance requirements and must fulfil requirements promptly for their dormant companies and must initiate strike-off procedure for any defunct companies to prevent such disqualification.

Profit Repatriation Strategies for Foreign Invested Enterprises in China



It is crucial to plan the most efficient methods for a business in the People's Republic of China ("PRC") to repatriate its company profits.

Best Practice Strategies

All methods of repatriation are subjected to strict controls by the State Administration of Foreign Exchange ("SAFE"). Where Wholly Foreign-Owned Enterprises ("WFOEs") and Foreign Invested Commercial Enterprises ("FICEs") reserve fund's capital is less than 50% of their reserve capital, the enterprise must allocate 10% of their profit after tax to their reserve fund.

1. Dividends

Dividends can only be repatriated once a year, either after the company's annual reports have been published or in the interim following the publishing of the financial statements.

In order to repatriate dividends from China, the company must first utilise its losses brought forward from previous years against the

current profit after tax and also must allocate a certain rate of profit after tax to statutory reserve funds. In addition to Corporate Income Tax ("CIT") of 25%, a 5-10% dividends tax is chargeable if the enterprise repatriates its profits overseas. However, most China's bilateral Double Taxation Avoidance Agreements ("DTA's") provides that a reduced dividends tax rate by 50%. This entails considerable tax savings for enterprises that plans ahead.

2. Service Fees

Service fees provided by foreign investors paid under the service agreements with their FIEs in China will be subjected to China VAT if the service provider/recipient is located in China; or the services are rendered in China.

For onshore services, whereby the service period is in general more than 6 months in any 12-month period, it will be treated as having a Permanent Establishment ("PE") in China and 25% CIT will be charged on the deemed profits. If a PE could not be established, CIT is theoretically not applicable. However, if certain conditions are met, e.g. the services are related to license, royalty and know-how, the tax authority would treat the fees as royalties and levy a withholding tax. Service fees at "arm's length" are normally deductible for a FIE's CIT purposes.

This would be calculated according to the following rates:

CIT 5-10% (in accordance with the respective tax treaty concluded with China) + 6% VAT + Surcharges on VAT Payable.

However "Management Fees" charged by parent company on the basis of intergroup cost sharing is not tax deductible.

3. Royalties

Royalties are fees paid in relation to the use of intellectual property, such as trademarks, patents, copyrights, and proprietary technology. Royalties are deductible for CIT purposes provided they are directly related to the FIE's business operations and charged at normal market rates. Royalty remittances are subjected to withholding tax of 5-10% and VAT of 6%.

The withholding tax rate of 10% may be reduced if a tax treaty is applicable. In order to enjoy a reduced withholding tax rate under a DTA, it is necessary to submit an application to



order to enjoy a reduced withholding tax rate under a DTA, it is necessary to submit an application to the tax authority, which includes a Statement of Beneficial Owner. To enjoy treaty benefits applicable to royalties remitted by an affiliated Chinese entity, the non-resident company receiving the royalties must be the beneficial owner.

4. Interest

Loan interest paid by a FIE to its parent company are subjected to withholding tax of 5-10% and VAT of 6%. Such interests paid are tax deductible for a FIE's CIT purposes if the associated liability-asset ratio does not exceed the standard ratio. When an enterprise, in calculating taxable income, wishes to deduct interest expenses by which the associated liability-asset ratio exceeds the standard ratio, comprehensive contemporaneous documentation needs to be prepared and maintained to substantiate that the amount, interest rate, terms, and financing conditions of its associated debt investments as well as its liability-assets ratio comply with the "arm's length" principle.

Much attention should be paid to the regulatory requirements on loan arrangements between a FIE and its foreign



parents. China imposes mandatory equity / debt ratio on FIEs. With a given amount of the registered capital, loans that a FIE is permitted to raise are capped. Loans granted by foreign parents will need to go through the foreign-debt registration procedure with the State Administration of Foreign Exchange ("SAFE"). The remittance of interests is also subjected to the approval of SAFE. Thus, foreign investors should plan capital structure carefully in advance if it is the intention that debt financing will be provided by the parent company.

5. Cost Sharing Arrangements

Cost sharing agreement ("CSA") refer to agreements signed between parties who will share the benefits and assume corresponding costs in terms of the intangible assets developed or transferred or service activities involved.

CSA benefits multi-component enterprises especially by sharing the costs of developing or acquiring certain assets, particularly intangible assets. Generally, each participating member is entitled to use a process developed under the CSA without payment of royalties. However, contemporaneous transfer pricing documentations must be prepared and maintained.

6. Acquisition of Assets Overseas

For Small Medium-sized Enterprises ("SMEs"), this is generally a more complex method of repatriation as it requires large sums of liquid funds available for investment in foreign assets. This is generally favoured more by Multinational Companies ("MNCs") due to the financial monetary constraints.

7. Offshore Loans to Overseas Shareholders

This was particularly popular during the 2008 Financial Crisis whereby PRC based entities would provide loans to their overseas entities in order to sustain their businesses operations and liquidity. In creating loans to overseas businesses from China, a company can repatriate funds back accordingly upon demand. However under this method, there are taxes that would apply locally in China.

8. Offshore Investments

Due to the free trade agreement between China and ASEAN (Association of South Eastern Asian Nations), there is scope to utilise the potential markets through trade in China. This method is often far more preferential than investment from outside of ASEAN.

9. Reducing Registered Capital in China

This method is permitted, but requires approval from relevant authorities – The State Administration of Industry & Commerce ("SAIC") and the Ministry of Finance & Commerce ("MOFCOM"). It is a laborious process and very few submissions are permitted.

KEY INDICATIONS OF TAX AVOIDANCE

- 1** Significant amounts or involves various types of related party transactions.
- 2** Long-term losses, low profitability, or fluctuating patterns of profit and loss.
- 3** Below average profitability than industry standards or profits that do not match the companies functions.
- 4** Business dealings with companies established in tax havens.
- 5** Non-compliance with the reporting of related party transactions or preparation of contemporaneous documentations.
- 6** Obvious violation of “Arm’s-Length” principle is a general principle of trading to market standards between anyone who may be deemed to have coincide interests (e.g. family members or different strands of the same organisation). Parties should be independent and on an equal footing or trading at what is deemed to be market standard.

Engaging Tax Consultants



Tax compliance is part and parcel of every business in almost all countries. Without proper tax compliance, businesses will run into trouble with tax authorities. Fines, penalties, freezing bank accounts, summons, court's attendances, imprisonment, not allowing errant taxpayers leaving the country are some of the steps that may be taken by tax authorities for non-tax compliance and under-declaration of income.

A competent tax consultant/advisor if appointed, will normally work closely with taxpayers, glean valuable insights into their client's business needs and concerns, provides quality services with utmost integrity and advices to their clients so as to help businesses minimise taxes as well as complying with tax laws. Where possible, he will also assist to provide feedback to tax authorities in the formulation and refining of tax policies and practices to ease compliance requirements and hence, facilitating business growth that benefits all parties. Therefore, it is important to choose a right tax consultant/

agent that is compliant in all tax matters to be your business partner.

With the ever changing tax rules and new policies/incentives being implemented, it may be too technical for businessmen to understand and to comply with their annual tax obligations themselves. The following are some of the examples:

1. Even though the Productive and Innovation Credit (PIC) Scheme was introduced since Year of Assessment (YA) 2011, a wide group of businessmen are



still unaware/confused with the eligible conditions for claiming the benefits under this scheme. Also to fine tune the eligible conditions - amendments and additional conditions such as changes in the percentile and quantum of enhanced allowance and cash payouts, higher qualifying expenditure capped for SMEs, removal of this scheme with effect from YA 2019, etc. have been unveiled by the Minister in the yearly tax budgets. This may cause further complications for businessmen to put up their claim without the help of tax consultant/agent.

2. Unexpected/repeated errors may not be detected when declaring their yearly tax return. With a competent consultant/advisor in place, he may assist to perform an overall review of their past tax declarations. Should there be any errors detected, he will assist the taxpayer to disclose voluntarily the errors made at an early stage so as to lower/waive penalties for incorrect/under-declaration of income.
3. To avoid unnecessary taxes paid in more than one country, taxpayers/their tax agents will need to be familiar with the tax laws in the countries that they have/intended to do business with. This will help businesses minimise tax exposure in both jurisdictions, thus lowering their tax burden especially where the income is being taxed in the source country and yet taxed in the country of remittance (home country). Tax treaties in different jurisdictions are complex, tax treatment varies depending on the nature of transactions involved and may not be easily understood by businessmen.
4. Multinational corporations (MNCs) that operate on a regional/global basis tend to have cross-border inter-company services/transactions. Such an arrangement may result in erosion of profit from a higher tax jurisdiction to a lower tax jurisdiction or even to a tax heaven country. With the current strict transfer pricing regulations and guidelines implemented on most countries, all cross-border inter-company transactions must be properly and legally structured and documented. As this is a complex issue, it would be best to sort out with your competent tax consultants/advisors.
5. Withholding tax that needs to withhold and accounted for to the relevant tax authorities on certain payments due to foreign tax resident recipients often at times overlooked/omitted. As a result, late penalties have been imposed by tax authorities.
6. Indirect taxes such as Goods & Services Tax (GST). It has been noted that some businesses still unaware of the compulsory GST registration if their past 4 quarters taxable supplies reached the

threshold of SGD1 million or failed to keep track of their next 12 months taxable supplies may exceed the said threshold. Hence, they became panic when queried by the tax authority and may result in unexpected payment of GST retrospectively on taxable supplies and penalties that were not accrued for.

7. To help all GST-registered businesses voluntarily complied with compliance requirements, IRAS has rolled out two main initiatives – Assisted Self-Help Kit (ASK) and Assisted Compliance Assurance Programme (ACAP). These packages if adopted will help businesses review the correctness of their past and present GST submissions and discover GST errors made early and to minimise penalties if voluntarily disclosed to IRAS.

Businesses may consider engage tax consultant/advisor to assist with the ASK/ACAP annual review. However, businesses currently/intend to enjoy under certain GST schemes such as Major Exporters, Third Party Logistics, Import GST Deferment, etc. are a pre-requisite to carry-out the ASK/ACAP annual review performed by a GST accredited member of SIATP.

If you encounter any tax issues be it individual, partnership, corporate or GST matters, we **Paul Wan & Co.**, a mid-tier Chartered Accountants firm has a team of dedicated, capable, well-trained and experienced tax professionals accredited by SIATP in both income tax and GST, are pleased to meet up and assist you. Kindly feel free to email/phone/drop by for a discussion. We will strive to ensure that all your tax issues are handled with utmost integrity and efficiently.



Tax Savings - Step by Step



Review your overall corporate tax position to avoid heavy tax burden!

Corporate tax is unavoidable in Singapore. However, with proper tax planning, it is possible for businesses to pay less tax/defer its tax payments. Hence, businesses will minimise their tax and maximise returns for stakeholders and as such, more resources will be available for reinvestment. Under-declaration of taxes in past years may result in accumulated tax debts, penalties, late payment interest and/or imprisonment when queried/investigated by the tax authorities.

Here are some of the possible ways to minimise corporate tax?

1. Take advantage of Singapore's current low corporate headline income tax rate and also the available full/partial tax exemption on the first SGD300,000/- of taxable income for each assessment year for the first three years of assessment if your company fulfils certain conditions;
2. Consider tax incentives available that allows a reduction in current income tax rate or even exempt from income tax for a specified period of time;
3. Re-structure your Singapore company by exploring available alternatives in order to minimise exposure to withholding tax requirements for certain payments to non-Singapore tax residents;
4. GST is a broad-based value-added tax imposed on domestic consumption of goods and services in Singapore. If your company is in the business of importers and exporters, you may wish to look into the various GST schemes available that may ease your cash flow;
5. Consider carrying out a voluntary GST Assisted Self-Help Kit (ASK) annual review of your past GST declarations to voluntarily disclose omissions and errors detected in the quarterly returns so as to minimise/waive penalties for under-payment of GST debts that are not expected to occur.

6. Maximise and claim eligible wear and tear allowances and PIC enhanced allowances/ PIC cash payouts.
7. Defer taxable income i.e. not remitting foreign sourced investment income that is subjected to income tax here when remitted; or avoid remittance of taxable income by re-investing outside Singapore;
8. Ensure that all/most of the expenditures incurred are for business purpose and are tax deductible. e.g.. Interest-bearing funds borrowed for non-business use, the interest expense will not be tax deductible. Likewise, a company should try to avoid the provision/reimbursement of cost of private motor cars and its running expenses for their employees for use to carry out its business activities as these are deductions prohibited under Section 15 of the Singapore Income Tax Act.
9. Where a company has unabsorbed tax losses &/or unused wear and tear allowances carried forward for future utilisation, the company should try to avoid a substantial change (more than 50% change) in its shareholdings' composition (and its trade/business activities if any) until the amounts carried forward are fully utilised;
10. Consider whether Group Relief system is applicable to your group of companies.

Kindly feel free to contact our Tax Personnel if you need our assistance.



Project Investors & Acquisitions



**PAUL WAN,
MANAGING PARTNER**

We are linked through our M&A network to foreign companies who are looking to acquire substantial interest in companies in the Asia Pacific region.

Project Investors

Should your Company need investors we can bridge the gap to find investors for your new projects. From identifying your Company's needs to the study of investment packages and identifying the investors which we think will fit into your company.



Acquisitions

We are linked through our M&A network to foreign companies who are looking to acquire substantial interest in companies in the Asia Pacific region. These foreign companies are predominantly listed companies ready to expand their operations and businesses in fast-growing markets and PWCO Corporate Finance will match the suitors and the target company.

If you are looking to retire let us assist you to work out a scheme that assists you to gradually exit your company and convert the sale of your business into a retirement fund for you.

Combating Money Laundering



**RAYMOND TEO,
PARTNER**

Money laundering is the process of disguising the proceeds of crime and integrating it into the legitimate financial system.

Before proceeds of crime are laundered, it is problematic for criminals to use the illicit money because they cannot explain where it came from and it is easier to trace it back to the crime. After being laundered, it becomes difficult to distinguish money from legitimate financial resources, and the funds can be used by criminals without detection.

There are countless ways to launder money. Generally, money laundering can be broken down into three stages:

Placement – the initial entry of illicit money into the financial system.

Layering – the process of separating the funds from their source, often using anonymous shell companies.

Integration – the money is returned to the criminal from legitimate-looking source.

Increase in risk for professionals and business world

The professionals may unintentionally creating criminal schemes to enable the launderers to perform certain activities, for example:

- Assisting in setting up corporate vehicles, trusts and other complex legal arrangements which they need to facilitate money laundering;
- Carrying out financial transactions on launderers' behalf, such as establishing and acting as trustee of bank accounts, and assisting the criminals in making funds transfers and issuing and cashing cheques;
- Acting as nominee directors and nominee shareholders of companies involved in money laundering schemes.



In the recent scandals of Panama companies, the criminals using the professionals to incorporate a “shell company” (or a “letterbox company”) in an offshore tax jurisdiction and these havens are used by individuals and companies to stash their cash, away from the prying eyes of civilians or investigators. These companies have the outward appearance of being a legitimate business but in reality are just empty shells. They manage the money they receive and hide who owns it. The management is made up of lawyers and accountants, whose only role is to sign documents.

Managing risks from business perspective

Several measures need to be taken by the management of the company in order to mitigate potential risks of money laundering and financing of terrorism:

i) Due diligence

Before a business relationship can be established, due diligence must be carried out on customers which involves knowing the customer, obtaining information on the intended transactions and verifying the above information through identification and certificates.

Information gathered in relation to due diligence is updated as appropriate; for instance, the customer must present valid identification again if previously presented identification expires while the business relationship is on-going.

ii) Traceability of transactions

One of the key measures for detecting criminal activities is to ensure the traceability of transactions in order to establish the origin of funds.

All business transactions must therefore be recorded in such a manner as to ensure traceability. This is to enable the management to verify and substantiate the traceability of the transactions. The following information must be made available:

- Names of customers and their addresses, as well as the names of the authorised signatories and proxies involved in the transaction in the case of a legal entity;
- Legal domicile/residence;
- Identity number and other personal identifiable information;
- Information on the type and nature of the transactions;
- Information on the amounts of the transactions and the currencies concerned;
- Information on what accounts were used for the transactions;
- Point in time of the transactions;
- Name of the recipient of funds;
- Source of fund of the transactions.

Implementation of EP 200

In view of increasing sophistication of money laundering and terrorist financing activities, the Accounting and Corporate Regulatory Authority (ACRA) has on 1 November 2014, introduced the enhanced mandatory requirements on implementing controls and procedures for anti-money laundering (AML) and countering the financing of terrorism (CFT). The enhanced requirements are contained in the new Ethics Pronouncement 200 (EP 200) – “Anti-Money Laundering and Countering the Financing of Terrorism – Requirements and Guidelines for Professional Accountants in Singapore”. This pronouncement is issued by Institute of Singapore Chartered Accountants (ISCA) and adopted by ACRA and will be applicable to professional accountants, including public accountants and accounting entities.

Besides stating the statutory responsibilities of all professional accountants to report suspicious transactions, the new pronouncement includes several enhanced measures on:

- Requirements for accounting entities to have the systems and controls in place to address ML/TF concerns;
- Requirements for public accountants and accounting entities to have specific customer due diligence and records keeping measures when providing certain services; and
- Recommendations on reporting procedures, training, compliance, hiring and audit.



Whistleblowing

In the event a professional accountant has the knowledge or suspecting any transactions is connected to criminal conduct, he is required under Singapore law to lodge a report with the Suspicious Transactions Reporting Office, Commercial Affairs Department. Failure to whistle blow is a criminal offence and the statutory obligation to report suspicious transactions to the authorities overrides any duty of confidentiality to the clients. The professional accountants can be assured that whistle blowers' identities are kept confidential and as long as the report is made in good faith, no legal action can be taken against the professional accountants for breach of confidentiality even if there is no criminal activities have been found upon subsequent investigation.

Conclusion

In the nutshell, with the new enhanced requirements for EP 200 and global awareness of criminals associated to money laundering and financing of terrorism, the professional accountants as well as the management of the company must aware their responsibilities imposed to them and beware their obligations under the law.

Business Management



**WESLEY LIN,
WBC, A UNIT OF
MORISON
CONSULTING,
(DIVISION OF PWCO
GROUP)**

It goes without saying that profit maximisation is the ultimate objective of business regardless of industries your business is in. It sounds simple and logical, but beneath it the context is profound as we still see futile business ventures despite fantastic products offered by companies. The complexity comes from how end results are driven, which is known as business management.

Business management is about managing products, money, people and processes. It cannot be seen as a separate element from profit maximisation effort.

That is where Wesley Business Consulting (WBC) – a division of Morison Consulting, specialises and adds value to the clients – Management as profession. We connect knowledge to people to form partnership and we care what our clients care, which is your business success. Specifically, we provide the following three major service categories:

1. Business Sustainability and Profitability

Business environment is getting competitive with acceleration of globalisation and

- Why does R&D department fail to develop good products?
- Why does sales department fail to achieve the target?
- How to make a breakthrough for revenue growth in an over-saturated market?
- How to make a breakthrough when facing bottleneck to sustain gross margin?
- How to manage high expenses in order to avoid bleeding operations?
- Bureaucratic processes are affecting decision-making efficiency. How to enhance competitiveness?

The above list is not exhaustive. The ideal operating situations the management hopes

Management Consulting - continued

to embrace are innovative products, proactive and highly engaged employees, automated processes, flawless execution of in-house operations leaving market development as key focus but not power struggle about unclear roles and responsibilities, as to achieve profitability.

WBC serves as three major roles in providing business solutions to the areas you are needing assistance:

- Corporate Doctor:** We examine your business operations using "peel-the-onion" approach through collection and analysis of operating data inside out;
- Firefighter:** Unearth and lock down the core issue, raise resolution proposal to tackle directly to the issue identified, and execute.
- Management Engineer:** We are capable of reviewing and restructuring your organisation. for optimisation of efficiency, so as to increase company's ability for profit making.

SUMMARY OF PROBLEM SOLVING MECHANISM



Management Consulting - continued

We use scientific approaches to unearth underlying issues, and brainstorm to come out with right solutions to turn around company's loss-making situation and even improve profitability.

2. Enterprise Performance Management (EPM)

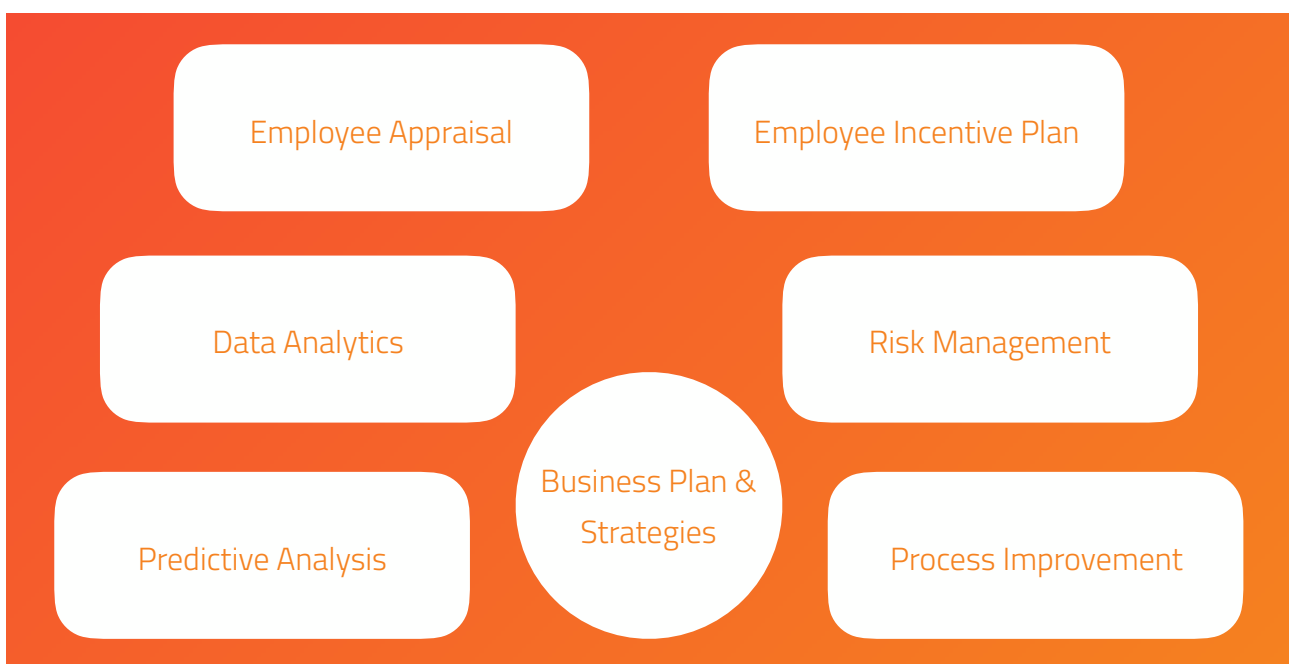
Running business is a team work. Optimisation of your team's internal competitiveness using EPM enhances productivity and efficiency of business instead of using traditional ways of management. It offers best solution to business sustainability for groups of companies who have business presences at multiple sites of the world, and therefore is widely adopted by US and European MNCs.

EPM is not a system, neither is a process. It is an integration of multiple managerial methods, and is mechanism to translate business plans into results. It is not to follow

up on how companies progress into the goals, but to move the company to accomplish the goals.

What EPM intends to establish is a corporate culture with right attitude. The core to the success lies with effective communication. Every step is inter-connected, and stays agile and dynamic in the process of pursuing goals so as to make necessary adjustments when there is early finding of directional mistake. Many failure is commonly found in silo-operations, resulting in waste of resources, inconsistent targets and even unrealistic strategies set.

EPM emphasises scientific and objective approach of governance, but not rule of man. It enables effective enhancement of employee proactivity, and in turn strengthens employee productivity and efficiency and eventually company competitiveness.



3. Corporate Governance

You could be conceptually mistaken if you think corporate governance dampens profitability. Its mechanism is similar to insurance as it provides long-term complementary protection to business expansion. You will be much less disturbed when focusing on sales and marketing strategies, as your back office operations will be taken good care of.

Occasionally we learn from news about corporate scandals resulting in huge financial loss, both tangible and intangible, wiping out effort and images overnight the companies have established over the years. These are consequences of ignoring effective corporate governance. The damage is much more devastating than you can imagine, as the financial loss can be equivalent to revenue or profit accumulated over past few years.

Corporate governance covers compliance with industry specific regulations and operating guidelines, which can be driven externally and internally. External compliance includes corporate governance of listing requirements, GMP, FDA, SOX, etc. whereas internal compliance includes corporate governance of internal policies, ISO, Standard Operating Procedures (SOPs) with roles and responsibilities properly defined, etc. All these are activities undertaken to avoid risk occurrences.

Corporate governance offers long-term benefits to sustain company's profitability:

- Freeing up owners' and leaders' time from back office operations and surprises so that these owners and leaders can focus on



- sales expansion and marketing strategies;
- Increasing employee engagement level and improving work efficiency with roles and responsibilities of office bearers clearly defined. Less confusion over roles and responsibilities will stabilise higher employee morale and employee turnover;
- Getting company ready anytime for any business venture opportunities such as IPO, merger and acquisition, and even fund-raising activities, since corporate governance is inevitably one for the readiness assessment that needs to be performed. Cost of capital is lower.

Corporate governance should be built along the way as the company expands. However, companies should also be cautious about over-building it resulting in bureaucracy. The best practice is the corporate governance with lean office processes, without impacting company's operating efficiency.

Marching Into Greater China



WESLEY LIN,
WBC, A UNIT OF
MORISON
CONSULTING,
(DIVISION OF PWCO
GROUP)

In line with preparation and set-up of a new legal entity in Shanghai, China for Wesley Business Consulting (WBC) – a division of Morison Consulting, WBC will be participating in an exhibition – “2016 China Finance Expo & China Finance Elites Forum”, which will be held on 23rd September 2016 at Shanghai Tower. It will be the first participation for WBC in China, with aim to create awareness as well as to promote branding for both Morison Consulting and WBC in China.

China Finance Expo & China Finance Elites Forum

is an annual event organised by Copeople (Shanghai) Culture Communication Co., Ltd. with objectives of fostering interaction among China finance professionals, sharing of latest finance and business environment in China, and identification of future trend and changes in corporate finance roles. During this one-day event, several workshops and panel discussions will be conducted with invitation

of key speakers from various renown organisations. Event exhibitors include PWC, KPMG, ACCA, CPA Australia, Concur, AIA, VISA, AVIS, local Chinese authorities and many others. The anticipated traffic flow will be around 3,000 finance professionals with more than 800 senior level finance executives.

“China business boutique” is one of WBC’s service categories with several projects in the pipeline. Therefore, establishing a base locally



is an inevitable move and will better serve our South East Asia clients for their business expansion into China. Furthermore, the global economic dynamics are changing in favour of China, as we see increasing cases of merger and acquisitions or overseas collaboration as part of Chinese conglomerates' internationalisation effort. It creates higher demand for management reforms.

The Executive Director of WBC, Wesley Lin, has extensive corporate management experiences in China, as he spent more than seven years working on various aspects of corporate management in Fortune 500 company, including merger and acquisition. The set-up of WBC China office based in Shanghai is aimed at providing business and management services for Greater China region, such as business sustainability and profitability, enterprise performance management, corporate governance and many others.

How can you leverage WBC's China business boutique services? Simply contact us today at;

client.services@wesleybc.com

or call us at

+65 87999696

if you are keen to commence your business ventures in China. We assist our clients to identify best strategy to go into China market, ranging from most cost effective way of having us as the sales agent without setting up a legal entity in China, to a more balanced approach of searching, screening and appointing reliable distributors in China, even to set-up of legal entities locally.

Ransomware Attacks

SHAUN SOH
HEAD OF INFORMATION TECHNOLOGY

Ron, a close friend of mine is working at his dad's engineering firm when a note popped up on his computer screen. It notified him that all data files on his computer have been encrypted and he is to pay \$100, in the internet currency Bitcoin to get his original files back.

"It was not just a day or weeks' worth of work." Ron told me. "It contained his entire collection of sales quotations and customers' contact listing." Subsequently, I discovered that the attack originated from an external hard disk which he brings around so that he can access critical data offsite. Unknowingly, he brought home a threat after using the external hard disk on an infected PC in the Philippines office.

The threat of ransomware is very real. Studies have found that it is likely to hit 1 in 3 companies. As file encryption technology improves, the desire to exploit the technology culminates in the form of ransomware. The threat of ransomware escalates as its quality improves and becomes harder to detect. As we talked, new and evermore sophisticated variants are springing up rapidly. They have become the tool of choice for cyber criminals.

"Hackers using software to block data and then demand money in return are relying on increasingly advanced techniques more

commonly seen in cyber-espionage cases", the antivirus company Symantec Corp. said.

One reason why ransomware attacks have increased over recent years is they are relatively low budget and you do not need to be a highly skilled hacker to pull this off. Hacking into banking systems and multi-national corporations require more advanced hacking skills and considerable amount of effort. Ransomware is much simpler to execute. Cyber fraudsters go straight to individuals and small businesses. By sending ransomware through attachments in spam emails or advertisements on several websites, ransom attackers can gain access to data files. By holding the data hostage, the cyber criminals demand payment usually in the form of bitcoins, making it difficult to trace. Interestingly, the ransom amount is in the region of \$50 to a few thousand dollars, explaining the high success rates.

According to TIMES, "While each type of ransomware virus is different, some like



CryptoLocker, boasted a 41% success rate – meaning that more than a third of victims ended paying the ransom.” With such success rate, Symantec expects such attacks to be on the rise and many are looking at ways to protect themselves against the virus.

One of the best ways is not to open any dubious emails and attachments from unsolicited sources. You may accidentally download computer viruses to your PC and kickstart the infiltration process.

It is not advisable to visit websites promoting pirated software, pornography or file sharing sites as they can easily infect your PC without your knowledge. Some of these sites are setup by cyber criminals to attract potential victims.

Finally to sum it all up, it is still up to an individual to protect their data. The hackers are constantly exploring new ways and means to bypass the firewall and email spam filter. As end users of emails and websites, we should always exercise prudence with a dash of scepticism.

Recent Events

Photos



Mr Wan and partners of Tjahjadi & Tamara meeting with Mr Lansing Subur of the Ministry of Finance, Indonesia



Mr Paul Wan meeting with partners of KAP Pieter, Uways & Rekan CPAS / Piesta Consulting Indonesia

Recent Events



Mr Paul Wan meeting with Lec Sicoravit President Asia Plus Advisory and Nikorn. ASIA Plus Advisory is part of ASIA Plus Holdings, one of the largest securities firms in Thailand.



A visit to KSi Vietnam

Recent Events



Meeting with Morison KSi member firm Viet & Co partners in Ho Chih Minh, Vietnam

For More Information

Mr. Paul Wan

10 Anson Road #35-07/08
Singapore 079903

Tel: (65) 6220 3280

Fax: (65) 6224 5473

Email: pw888@pwco.com.sg

Website: pwco.com.sg

Editorial Team

Editorial Advisor & Editor

Paul Wan

Contributors

Paul Wan

Esther Mok

Raymond Teo

Shaun Soh

Cherrie Yee

Wesley Lin

Designer

Wan Wei Han

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