

PKF e-Asia News

World Bank reviews China's accounting and auditing

By Tony Upson, PKF (UK) LLP

The World Bank has recently published a report on China's observance of standards and codes for financial reporting and auditing.

It shows just how far the country has come in the last few years, through concerted government action to raise standards and to develop the accounting profession. It praises the government strategy and holds it up as a model that other countries could usefully follow. China is not Utopia, however, and the report points to several areas in which practice lags behind laws, standards and codes.

There are still too few accountants with the necessary skills and experience, both within companies and within accounting firms, which limits the rate at which new rules can be put into practice and enforced. There is a regional aspect to this with bigger problems in smaller cities.

The regulation of companies and of accounting firms has also not yet reached the same degree of rigour as in many long-developed countries, allowing non-compliance to go unpunished for longer.

The World Bank's recommendations include some quite radical ones alongside the more prosaic evolutionary ones, so are well worth a read. For a fuller review of the report on China, see

<http://www.pkf.com/site/international/home/brochures/otherpublications>.



Shanghai, China



Editorial

by Stephen Darley

In this edition of eAsia News we profile the PKF-CAP LLP Singapore team and its two recently appointed partners, Roy Lim and Siew Inn Pong; and Sajjad Akhtar gives his take on the near future and the firm's China focus.

The 2010 Asia Pacific Partners Meeting has to date attracted a great deal of interest with a strong representation from the United States, including the Managing Partners from both Eisner LLP (New York) and Wipfli LLP (mid-west). These recently admitted PKF NA members are two of the top 25 CPA firms in the United States each with revenues well exceeding US\$ 100m, and leaders in their respective fields.

Eisner LLP and Wipfli LLP represent a new direction for PKFI in North America and both firms have expressed a very keen interest to engage with the Asia Pacific region. In fact, many within the region will already have seen a marked increase in enquiries and work flow, particularly from New York.

If you have not already registered for the Asia Pacific Partners Meeting, then please do so as a matter of some urgency.

Economic commentary New World Order

A shift in the balance of economic and financial power has been a central theme for some time and, judging from comments and coverage in the media during the New Year, has now become the accepted norm.

While this shift in thinking towards a New World Order (NWO) may seem perfectly acceptable and understandable, it represents a shift by the consensus. Thus, many international firms are reassessing their strategy and this recovery will also reflect that. More international firms will want to ensure that they are well positioned in future growth markets such as Asia. This creates challenges including a recovery in Asia where competition is more intense and a jobless recovery in the West. A consequence of the NWO is greater political tension which could result in more protectionism but will certainly lead to an international expectation (and pressure even) for China to allow its currency to appreciate.

It is important to stress that, while the economic trend for Asia is up, economies here are unlikely to move in a straight line. Too much of the present talk in financial markets ignores the reality that the business cycle exists - even in China and India as well as across the rest of Asia. The trend may be up but there are cycles along that upward path. The collapse in world trade, which hit Asia hard at the end of 2008, was an indication of this. There is also a need to monitor countries with large external deficits, such as Pakistan and Vietnam, as they could run into trouble if there is a shift in market sentiment against them.



While Asia's economic fundamentals are better than the West, one should not overlook the reality that the West still accounts for about two-thirds of the US\$ 61 trillion global economy. If the West is not booming, Asia will find it hard to boom. And the West is not going to boom! The NWO has profound implications. As Asia becomes wealthier, the West becomes relatively poorer. The West needs to spend less, save more. Asia needs to spend more and save less. As the crisis showed, emerging economies were not decoupled but they were better insulated. Thus Asia needs to focus even more on ensuring it develops its domestic driven growth. The trouble is that to move from an export-led to a domestic-driven region takes time. China is ahead of the game but others are slower in this shift. All of which suggests a steady recovery and an environment in which Asian policy makers need to be pro-active to ensure a sustainable recovery.

Overall, the message this year should be that policy works, recovery happens but there is a price to be paid. The start of the year has seen more acceptance of the shift in the balance of power. This shift is a big positive but it is important to recognise the risks and challenges within this. On exit strategies there are differences between the West and the East, not only in terms of what they need to do but also in terms of their room for future policy manoeuvring. If there is a further shock, the East has the ability to respond but the policy cupboard in the West is bare.

[Attributed to Gerard Lyons – Standard Chartered Bank]

Tax Guide 2009

World Wide Tax Guide

The PKF Worldwide Tax Guide (WWTG) is one of the PKF International network's flagship publications that provides a comprehensive guide to the taxation and business regulation regimes of more than 100 countries around world. For PKF member firms it offers an 'at a glance' guide to the key taxes and how taxable income is determined in these countries.

The WWTG is a great tool to raise the profile of your firm and the PKF brand. The Guides are priced at USD 25 (including shipping costs) and there is a **minimum order of ten copies**.

Late orders may be placed by contacting the Marketing Manager of PKF International, Christiane Morris at christiane.morris@pkf.com as soon as possible

Spotlight on PKF- CAP LLP, Singapore

Singapore's economy shrank in the last three months of 2009 after surging for two straight quarters, sparking fears of a renewed recession. The Trade and Industry Ministry recently cited that gross domestic product fell an annualised, seasonally adjusted 6.8 % in the fourth quarter, led by a 38% plunge in manufacturing.

The island's economy - which relies on trade, finance and tourism, had bounced back from a 12-month recession by growing 15% in the third quarter and 22% in the second.

But last quarter's contraction puts into doubt how solid the recovery is. The government is forecasting economic growth of between 3% and 5% for 2010. The ministry, which based its preliminary GDP results mostly on data from October and November, said the service sector grew 7.2% from the previous quarter while construction rose 4.3%.

PKF-CAP LLP Managing Partner, Sajjad Akhtar reckons that Singapore's trajectory ultimately depends on Asian and global demand but that at least one sign of growing investor optimism in Singapore has been the rebound in housing prices. He added that hospitality and tourism are likely to experience an upturn given the imminent completion of the Integrated Resort mega project which houses Singapore's first casino. This is expected to generate positive sentiment for Singapore's economy.

Sajjad is an eternal optimist and believes in the tenacity of Singapore and its place in Asia and the global market place. "Singapore is after all considered amongst many as the gateway to Asia and the Pacific. We, the partners at PKF-CAP LLP, took the decision during late 2009 to invest significantly in the practice with the appointment of two new directors from Andersen Alumni to bolster our core competencies in business process outsourcing, audit and tax service offerings. They were subsequently admitted as partners in January 2010.



"Roy Lim joins us to head the Tax Advisory practice and Siew Inn Pong returns to the profession from her former position as the CFO of a locally listed Group, a well known healthcare provider specialising in care for women and children in Singapore.

"Both Roy and Siew Inn are highly competent professionals in their fields. Siew Inn will be involved in growing our business process outsourcing service offering and servicing Singaporean clients with China interests. In further strengthening the team we have taken steps to recruit Mr Guo Ding, previously a manager with the PKF International Beijing legacy member.

We are all confident of our place in the PKF International Network and of Singapore's place in the global economy."

"Strong trade and investment makes Singapore the most competitive Asian country and the World Bank also ranks the Republic as the world's easiest place to do business. Singapore provides one of the most attractive marketplaces for any company looking to expand globally. There are over 7,000 Mutli-National Corporations in Singapore, including many from India and China."

Sajjad went further to commit to an aggressive growth strategy by targeting 'like' professional practices in Singapore for merger talks stating that "... our thinking is consistent with that of the PKF International Board and strategy. We need to be in the top 10 in Singapore if we are to compete effectively on a global level for global minded clients – but our professionalism and quality must be above all else, and we pride ourselves on our ongoing efforts to achieve and maintain this standing in the PKF International community."

<https://www.pkf.com/site/international/home/taxandbusinessguides/taxandbusinessguidesT-Z?matrix=1237914059861>

About PKF-CAP LLP, Singapore

PKF Singapore is under relatively new management, following a merger of two practices in June 2007 by the now three lead partners, Sajjad Akhtar, Michael Chin and Eng Kian Lee. David Tong, who had been the incumbent, sold-down his interests and stepped aside from the core business.

David still operates an ancillary consultancy providing, in the main, advisory and outsourcing services.

Sajjad Akhtar was formerly a Senior Partner of Arthur Andersen, Singapore having worked in the same firm for 27 years. He joined legacy Arthur Andersen in London Office in 1975 and thereafter transferred to Singapore in 1980. In 2002 he formed Cap Partnership (CAP) together with Michael Chin and in 2006, Eng Kian Lee joined CAP. Each of them then took ownership interests in the then PKF business during 2007. Sajjad has had extensive audit and business advisory experience over the years with significant industry experience in Banking, Oil & Gas industry and Hospitality. However, his principal focus in recent years has been in:

- ▶ Litigation Support (typically acting as an expert in complex commercial disputes requiring written expert reports as well as appearing in Court in person to give expert testimony)
- ▶ Corporate restructuring/insolvencies (some significant appointments include liquidator of Barings Singapore and Boon Wan Group and the financial advisor for restructure of Asean International Ltd/Tolaram Group)
- ▶ Corporate Finance advisory (many appointments to perform valuation advisory services and purchase investigations).

Sajjad is also an active member of the PKF International Asia Pacific board.



Singapore partners – signing ceremony to add both Siew Inn Pong and Roy Lim as partners

Michael Chin is the head of PKF Audit Division and is also the Firm's Human Resource, Quality and Technical partner. Michael started his accountancy and audit training at Casson Beckman, a medium sized firm of chartered accountants in London. After qualifying as a chartered accountant, he joined legacy Price Waterhouse and worked in UK, Europe and Singapore from 1983 to 1994. In 1994, he joined the Institute of Certified Public Accountants of Singapore as the first Practice Review Director, heading, running and regulating the compliance of work standards for all audit practices in Singapore. In 1999, he joined legacy Arthur Andersen as a partner in its Assurance and Business Advisory division. Michael's experience has been broad based ranging from litigation support, business valuation, business advisory, internal audit, IPO reporting and audit of listed and private companies.

Eng Kian Lee is in charge of training and office and client administration. He is also one of the practice reviewers appointed for the Asia Pacific region of PKF International. His experience includes IPO reporting accountants' work, business advisory, financial due diligence, corporatisation of a government board, internal audit to audit of listed and private companies in Singapore. Eng Kian started his training in Arthur Andersen Singapore (Andersen) after his graduation in 1995 and thereafter joined Ernst & Young (EY) when Andersen merged with EY in 2002. In 2004, he joined Behringer as Group Financial Controller. In addition to performing the operational role of a Group Financial Controller, he was a key member in helping Behringer to obtain both Singapore Exchange (SGX) in-principle approval and Monetary Authority Of Singapore consent for Behringer to list on the main board of the SGX in 2005.

New Partner Profiles, PKF-CAP LLP, Singapore

Roy Lim started his career with Andersen in 1993 and left as a tax manager after nine years. He spent the next four years leading the tax department of Sembcorp Industries Ltd, a Singapore-based public listed conglomerate in the utilities and marine services industries. Roy went on to focus on transfer pricing for the Lenovo global group of companies at Lenovo (Singapore) Pte Ltd. In his most recent job, he was global tax director responsible for direct tax compliance and transfer pricing for the Avago Group of companies.

During his stint at Sembcorp, Roy was instrumental in developing and implementing strategies to monetarise more than S\$600million of tax losses through corporate reorganisation, group tax relief and dividend distribution. He was also responsible for setting up the holding company structure for Sembcorp to invest into Fujairah and achieving an effective tax rate of 3%. He set up the processes to analyse, track and document intercompany transfer pricing for Lenovo and Avago. In addition, he has worked with the business teams in Lenovo and Avago to manage tax aspects of insourcing and outsourcing of business operations.

Having gained tax experience both as an external tax consultant and in-house tax practitioner, Roy is able to offer practical tax advice that considers both direct and indirect tax implications while taking into account business operating conditions and requirements.

Pong Siew Inn joined legacy Andersen Singapore in 1996 and, together with the legacy Andersen, she joined EY as an audit manager in 2002. During her tenure with Andersen and EY, Siew Inn was primarily engaged in providing assurance and advisory services to the Firm's clients. She managed a portfolio of clients ranging from multinationals to local listed companies and small and medium growing enterprises, operating in a diverse range of industries including manufacturing, trading and distribution, electronics and technology, retail, construction and property development, food and beverage as well as fast moving consumer goods (FMCG).

In 2005, Siew Inn joined Symrise Group, a German-listed multinational company which is also one of the largest flavour and fragrance manufacturers in the world. As Vice President Finance for Asia Pacific, Siew Inn was in charge of finance for the Asia Pacific region of the Symrise Group.

In addition to the handling of the Group's day to day Finance Operations in Singapore and overseeing the smooth running of all subsidiaries' Finance departments across 13 countries in Asia Pacific region, she was also the key person representing Asia Pacific for the Group's IPO on Frankfurt Exchange in 2006.

New Zealand goes truly national



*Stephen Darley, Asia Pacific Regional Director and
Robert Elms, Chairman PKF New Zealand*

PKF New Zealand, now an association of eight legally independent firms, held its 2nd National Partners meeting in Auckland over 18-19 March. The impetus for the national association followed the admission of five new firms (in addition to the incumbents in Auckland, Wellington and Christchurch) in the North Island, all previously members of Horwath International.

The national association has resolved to work more closely together in a unified effort to promote the PKF brand across New Zealand and to provide joint marketing materials, quality assurance and training modules. The intention is to create a truly national force to promote organic growth and to attract new members across both the North and South Islands.

Singapore – Fast Facts

Did you know that ...?

1. Singapore has built on its advantageous geographical location to become one of the world's top transportation hubs for sea and air cargo. Singapore's container ports are the busiest in the world. They offer a choice of 200 shipping lines with links to some 600 ports in 123 countries.
2. Changi International Airport is linked to 182 cities in 57 countries, with more than 4,000 weekly flights, providing convenience and effective connectivity for passengers and cargo.
3. Companies here have the necessary land, air, sea, and telecommunications linkages to move freight and services anywhere in the world, whenever they are needed.
4. Singapore's extensive trade links provide companies with greater market connectivity through the reduction of tariff and non-tariff barriers. The Republic currently has the most extensive network of free trade agreements (FTAs) in Asia. Agreements have been signed with key economies such as US, Japan, Australia, New Zealand, members of the European Free Trade Association (EFTA), Jordan, China, Chile, South Korea, India and Panama.
5. In situating their international HQs here, companies benefit from Singapore's network of over 50 comprehensive Double Taxation Agreements (DTAs). They also gain from Singapore's many free trade agreements (FTAs) and the 35 Investment Guarantee Agreements. These FTAs have enabled Singapore to establish a network to countries that contribute at least 60% of global GDP. Companies can always rely on protection of their ideas and innovations through Singapore's rigorous enforcement of its strong intellectual property laws.
6. Singapore is a leading provider of services such as international banking, trade finance, maritime finance, insurance, treasury operations, and asset and wealth management within the region. Singapore is the fourth largest foreign exchange trading centre in the world.
7. Companies based in Singapore can tap the diverse capital markets and cutting-edge financial services from more than 500 local and foreign financial institutions here.
8. Singapore is also fast emerging as an optimal destination for the centralisation of services or "shared services". Centralising activities such as IT, finance, and logistics, offers benefits such as lower operating costs, consistent service levels and enhanced productivity.

Clarity ISAS – Train the Trainer *Singapore 28-30 June 2010*

As many of you will be aware, the International Federation of Accountants (IFAC) has recently completed a major project to clarify the International Standards on Auditing. For further information on the project please refer to the following:

<http://web.ifac.org/clarity-center/index>

The revised standards will need to be applied by all member firms of PKF International Limited for periods commencing on or after 15 December 2009. As a result PKFI is in the process of making major revisions to both the International Audit Manual and the associated forms.

Training is being made available to full member firms in the Asia region (as across the PKFI world) in the form of 'Train the Trainer' sessions in rooms at the Singapore Management University (SMU) during the three day period 28-30 June 2010. The training will be conducted by both Pierre de Villiers and Janri Pretorius of the National Audit & Assurance Training Centre, PKF Australia Limited.

This training in Singapore is aimed at building a network of trainers across Asia who are 'trained' in the revised standards. Those in attendance are required to return to their home jurisdictions and in-turn train the staff within their respective member firms. The trainer must be sufficiently senior and have the mandate to effect change at the operational level. It is envisaged that this network of trainers will liaise regularly in support of the Asia members generally and assist in cross development and promotion of staff and resources.

For the sake of coverage, efficiency and the group dynamics it is proposed that two-three people from each full PKFI member should attend this initial Train the Trainer session in Singapore.

Separate training sessions have been held in Australia and will be held in New Zealand to cater for that national practice and the Pacific Islands. For more information and registration contact Stephen Darley, Asia Pacific Regional Director stephen.darley@pkf.com

Malaysia fills capability gap

PKF Malaysia has recently incorporated PKF AdvantEdge, an operating business unit offering unique services in IT Advisory, Infrastructure Solutions and Software Solutions. This fills the capability gap in advising on the integrity of client IT systems and structures and will be an important service component for the other PKFI members around the region who cannot offer this capability.



*Stevie Heong
CISSP, CCNP,
MCSE*

PKF Malaysia has appointed Stevie Heong to head the division. Stevie graduated with a Bachelor of Computer and Mathematical Sciences degree, with a double major in Information Technology and Business Management from the University of Western Australia, Perth, Australia. He has completed multiple technical certifications such as Cisco Systems (CCNP, CCDP); Juniper Networks (JNCIA); Checkpoint Firewall (CCSE); Microsoft (MCSE, MCDBA) and Blue Coat Security (BCCPP). In addition, he also holds the internationally recognised security industry accreditation, Certified Information System Security Professional (CISSP), and has completed certification on Information Technology Infrastructure Library (ITIL) Foundation.

He has also served as the Global Technical Consultant in Information & Network Security in DHL, supporting and deploying solutions to cater to over 200 countries that DHL operates in. Before that, he was also the APAC Network Security Manager for DHL, responsible for managing and training a team that supports and delivers on-time solutions for the business. He has worked in Czech Republic as the IT security advisor for its support team when DHL was starting its operations there.

He has experience in telco industries having served as a Technical Assistance Center (TAC2) engineer for Siemens Malaysia Intelligent Network team, handling large telco accounts and commissioning their mobile gateways and systems around the region, and has worked in Singapore and Munich on different projects.



What's New ... at PKF International

PKFI has initiated a Twitter page so that you can follow PKFI in an instant and know what is happening as it happens, including new announcements, publications and news.

Look out for the newly released PKFI Doing Business Guides in ... South Korea and Singapore.

PKF Disclaimer – please read carefully!!

With the New Year it is timely again to remind PKFI members of their obligations to ensure the correct application and use of the PKFI disclaimer.

The PKFI board took a decision last year to amend the PKFI disclaimer which each member must apply in accordance with Clause 19.2 of the Operating License Agreement (OLA). The amendment was found necessary following a number of legal developments particularly in the USA and the UK. This was communicated to all International Liaison Partners and Managing Partners of PKFI member firms by Wolfgang Hofmann in his letter dated 6 August 2009.

Notwithstanding numerous reminders, the number of instances where the disclaimer has not been applied or applied incorrectly is very worrying.

The change in the disclaimer is for your benefit. Please see fit to ensure the change to all your firm's correspondence, emails, publications and website.

Please contact Stephen Darley on stephen.darley@pkf.com or Monica Sawh (monica.sawh@pkf.com) if you require any further information or require a copy of the notice and amended Fifth Schedule to the OLA.

WAID Country Survey

The publishers of the International Accounting Bulletin and Accountancy Asia have advised PKFI of its schedule for the 2010 year.

If you have ever wondered why PKFI members are not pre-eminent in these publications, then here is your chance to rectify it and use this medium to promote your profile and that of PKF International in these leading publications.

Together with Christiane Morris of PKFI in London, we are building a stronger bond with the WAID team to ensure the PKF Name is promoted to a wider audience in the professional sphere. With your help, we intend to ensure that PKFI members in each of these jurisdictions rate a mention in each country survey. Please note the following dates and countries relevant to your jurisdiction:

- ▶ May – Malaysia
- ▶ June – Vietnam
- ▶ August – Taiwan & Indonesia
- ▶ September – South Korea
- ▶ November – Australia
- ▶ December – Asia Pacific Regional

Asia Pacific Partners Meeting, Taipei, Taiwan

7-10 May 2010

The upcoming Asia Pacific Partners Meeting in Taipei promises to be a dynamic event and a timely destination for many delegates with an increasing focus on opportunities in mainland China. Take the opportunity to meet PKF Taiwan and learn more about this fascinating island, its rapid modernization and what the warming of cross-strait relations with China means.



Registration now open!

Asia Pacific Partners' Meeting: Gateway to China

7- 10 May 2010

Taipei, Taiwan

Join the 2010 Asia Pacific Partners' Meeting (APPM) in Taipei, Taiwan, a fascinating destination of business and geo-political significance.

Home to computing giants such as Acer and Asus, Taiwan's rapid development has propelled it to the forefront of many global industries in recent decades. The current warming of cross-strait ties with Mainland China now promises a new era of opportunities for the island. Gain insights into these and the North East Asian Region as a whole through this important event.

PKF International Members are most welcome. Taiwan is well served by direct daily flights from across the region and the West Coast of North America, making it ideal for those on the Pacific Rim to attend.

Please mark your diaries for this important meeting in what is likely to be the fastest growing region emerging from the global financial crisis.

Register by completing the attached form and return the scanned copy to stephen.darley@pkf.com.



Contributions welcome

This is a regular newsletter issued by the Asia Pacific Regional Director for the benefit of Partners and Staff of PKF International Limited member firms in the Asia Pacific region.

It is YOUR newsletter and your contributions are most welcome. Please contact the Asia Pacific Regional Director at stephen.darley@pkf.com or on: +66 81 846 5376