

BDO CONNECT



MANAGING PARTNER'S MESSAGE



Frankie Chia
Managing Partner
BDO Singapore

I do hope you have had a great start to the year. This quarter's issue will bring together several interesting topical discussions that we hope will shed light on the issues that matter to you.

Among them are the M&A outlook for the year, transfer pricing for restructured businesses and also a discussion on the Singapore Financial Reporting Standards for Small Entities. If you have further queries with regards to these topics, do feel free to contact any one of our professionals who will be glad to assist you.

The recent Budget announcements have brought along welcome changes to the landscape of Singapore's business. Singapore is on a productivity drive to ensure survival in a competitive global economy.

Though we all may have expected a larger budget surplus this year, the grants and subsidies that were introduced has done much to share the fruits of the economic growth in the past year, and we are sure that the man on the street is much glad with the measures.

We have also provided our clients with our Budget Commentary on the recent changes announced. We do hope you find these useful. I would also like to thank those of you who joined us at our Budget Seminar this year on 1 March. Thank you for your support.

We have promising times ahead at BDO both locally and internationally. Let's all look forward to a great 2011 together!

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SINGAPORE NEWS

Chinnu Palanivelu, Assistant Audit Manager, on the Board of Association of Certified Fraud Examiner (USA), Singapore Chapter



Chinnu Palanivelu, Assistant Audit Manager at BDO LLP has recently been elected a board member of the Association of

Certified Fraud Examiners (USA), Singapore Chapter. Chinnu had been awarded the Lifelong Learner award organised by MediaCorp Radio and the Singapore Workforce Development Agency. Chinnu has university degrees, diplomas and at least 30 other training certificates and qualifications, and is truly a lifelong learner.

BDO Budget Update 2011, 1 March 2011

Over 60 participants joined our Budget Update 2011 seminar to understand the key budget changes in 2011 and its impact on the current economy, corporations and businesses. Attendees learnt more about the key implications of this year's Budget. The session was led by our Head of Tax, Mr Rohan Solapurkar. We were joined by Dr Tan Kee Wee, an independent economist who commented on the economics relevant to Budget 2011. Other speakers included, Associate Director, Michelle Seat and Senior Tax Consultant, Manmohan Singh.



SINGAPORE FINANCIAL REPORTING STANDARDS (SFRS FOR SES) SHOULD YOU JUMP ONTO THE BAND-WAGON?

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The introduction of Singapore Financial Reporting Standards for Small Entities (SFRS for SEs or the Standard) in December 2010, which is effective for annual periods beginning on or after 1 January 2011, gives qualifying entities an alternative to the existing Singapore Financial Reporting Standards (SFRS) to adopt a purportedly more user-friendly and cost efficient financial reporting framework.

STANDALONE STANDARD

SFRS for SE is a completely stand-alone standard with only one "fallback" option to SFRS with regards to the application of SFRS 39 for recognition and measurement (and not disclosure) provisions.

SIMPLER ALTERNATIVE

At fewer than 240 pages, SFRS for SE boasts a reduction in reporting and disclosure requirements.

Certain deemed irrelevant topics for qualifying entities, including SFRS 33 Earnings per Shares, SFRS 34 Interim Financial Reporting and SFRS 108 Operating Segments, have been eliminated.

SFRS for SE are also made simpler through the elimination of options granted under SFRS and qualifying entities are left with the deemed simpler option to apply.

Some of the examples are as follows:

- Property, plant and equipment are to be accounted for under the historical cost-depreciation-impairment model. There is no option to apply a revaluation model.
- All borrowing costs are to be expensed off. There is no option for capitalisation. SFRS requires all borrowing costs to be capitalised.

- All research and development costs are to be expensed off. There is no capitalisation of development costs incurred even if the corresponding project is determined to be commercially viable.
- All intangible assets are deemed to have a definite useful life. If the useful life cannot be estimated, the useful life of the intangible asset is deemed to be 10 years.
- Financial instruments are either measured at fair value through profit or loss or amortised historical cost. There is an elimination of "held-to-maturity" and "available-for-sale" categories for financial instruments.

QUALIFYING ENTITIES

Entities must not be publicly accountable, publish General Purpose Financial Statements (GPFS) for external users and must be a small entity before they qualify to adopt SFRS for SEs.

PUBLIC COMPANY AND CHARITY

The Accounting Standards Council (ASC) clarifies that an entity is also considered to have public accountability if it is defined as a public company under the Singapore Companies Act (Cap. 50) or is a charity defined under the Charities Act (Cap. 37).

SMALL ENTITIES

Specific to Singapore, entities need to satisfy prescribed size criteria before they are determined as small in size for the purpose of applying SFRS for SEs.

An entity has to meet at least 2 of the following 3 criteria before it can satisfy the size criteria:

- Consolidated annual revenue of not more than S\$10 million;
- Consolidated gross assets of not more than S\$10 million; or
- Consolidated number of employees of not more than 50.

SINGAPORE NEWS

Roger Loo, Management Consulting Services Director, a panelist at the ICT Business Forum

The ICT Business Forum was held on 24 February at the Raffles City Convention Centre bringing together 600 Info-Communication Technology professionals.

Organised by Singapore infocomm Technology Federation (SiTF), this full-day forum had leaders and Infocomm Technology (ICT) professionals from the Singapore ICT community come together to gain insights into ICT business landscape, emerging trends and opportunities, and technological developments.

The theme for 2011: "Prosper with People, Productivity, and Planet" provided invaluable perspectives on how organisations could reap profitability by incorporating sustainable innovations that increase business efficiency and productivity.

MCS Director, Roger Loo was a panelist at the event together with other professionals such as Raju Chellam, Managing Director, TechTrends Asia, See Ai-Ling, Director, IBM Software Marketing Group – ASEAN, William Chin, General Manager – Asia Regional Sales, Universal Steel Industries and Yap Chee Yuen, Senior Vice President and Head – Innovation & Technology, and Operation Services, Resorts World at Sentosa.



An entity has to meet the size criteria for each of the previous 2 consecutive financial reporting periods before it can apply the SFRS for SE. For example, an entity needs to satisfy the prescribed size criteria in FY2009 and FY2010 before it is construed as meeting the size criteria for FY2011.

Similarly, after it has applied SFRS for SEs, an entity shall cease to apply the Standard if it fails to meet the size criteria for the previous 2 consecutive years. For example, after applying SFRS for SEs in FY2011, the entity must cease to apply SFRS for SEs in FY2014 if it does not meet the size criteria for FY2012 and FY2013. However, it can continue to apply the Standard in FY2013 even though it fails the size criteria in FY2012.

A concession is given to newly incorporated entities under the Companies Act where they are deemed to qualify the size criteria for the first 2 financial periods after incorporation.

SHOULD YOU JUST JUMP ONTO THE BAND-WAGON?

SFRS for SEs will generally provide cost and time savings in the preparation of their GPFS in the long-run for certain entities, mainly stemming from its fewer and simpler requirements as well as the lower frequency in changes to the Standard (i.e. once every 2 years). Nonetheless, there is seldom, if any, a one-size-fits-all solution out there. Hence, before jumping onto the band-wagon with the crowd, it is good to do a cost benefit analysis.

ELIMINATION OF OPTIONS

The Standard did away with what were deemed as complex options to make accounting simpler. However, it also took away the option from entities to apply an accounting treatment that best reflects the financial statements to their advantage. As examples, an entity may be sitting on an "undervalued" property under the cost model when it could be presenting a more attractive balance sheet subsequent to an upward valuation of the property to reflect the higher market price under the revaluation model. A research and development entity may experience lower profits if they expense all development costs when

some of these costs could have been capitalised under SFRS or when they have to amortise intangible assets which were previously determined to have indefinite useful lives and hence could have been carried at cost should there be no impairment. A capital intensive entity may suffer from lower profits if they expense all borrowing costs which would have been capitalised under SFRS.

COST SAVINGS

The Standard reduces compliance costs of financial reporting in the long term. However, entities need to be aware of the additional effort and costs that may arise from the transition from SFRS to SFRS for SEs. Such efforts and costs may arise from the education of accounting staff on the Standard, turnover of accounting staff who are resistant to changes or who prefer to stay closely aligned with SFRS, modification of the current accounting software to align the reporting requirements to SFRS for SEs and other incidental conversion costs. In addition, if the entity is reporting to a holding company which reports in SFRS, the entity will have to incur additional efforts and costs in keeping 2 books - one in SFRS for reporting purpose and the other in SFRS for SEs for filing purpose.

SINGAPORE

Unlike certain jurisdictions which adopt a local GAAP for smaller entities, Singapore adopts SFRS, which is closely aligned to IFRS, for all Singapore-incorporated entities. Consequently, the introduction of the Standard does not have any impact on the comparability of the financial statements in Singapore's context.

In view of the above, it would appear that the biggest beneficiary will be newly start-up entities which can immediately enjoy the benefits of simplified accounting and substantial reduction in disclosure requirements. That being said, such entities should also think of the implications in the long run from the adoption of the Standard. For example, entities projected for growth including those which have plans for listing may want to reconsider the adoption of the Standard as the costs of conversion from SFRS for SEs to SFRS may be quite substantial.

SINGAPORE NEWS

Rohan Solapurkar, Head of Tax, a moderator at the ICPAS Budget Update 2011

Organised by the Institute of Certified Public Accountants of Singapore (ICPAS), this seminar brought together professionals from the industry such as Sum Yee Loong, Tax Partner, Deloitte, Irvin Seah, Regional Economist, DBS Group Research and Jillian Lim, Deputy Director, Tax Incentives Planning & Policy, EDB. The seminar aimed to study the Impact of Tax Changes in the Budget 2011 to Corporate and individuals. More than 500 professionals attended the event held on 28 February at the NTUC Auditorium at Marina Boulevard. The panel section was moderated by Rohan Solapurkar, Head of Tax, BDO Tax Advisory Pte Ltd.



THE INTERPLAY OF TRANSFER PRICING AND BUSINESS RESTRUCTURING

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As always, the beginning of a new year is exciting, bringing with it new challenges and a hope to improve on the year gone by. The year 2010 was quite an eventful year with countries posting stellar double digit growths and companies back in the black. One event most watched by was the finalization of new transfer pricing guidelines by the Organisation for Economic Co-operation and Development (OECD).

What is transfer pricing? Commonly controlled taxpayers determine prices between them in a manner which reduces the overall tax cost of the Group. To combat such practices, countries have introduced transfer pricing regulations. So, transfer pricing refers to the act of pricing goods and services including financing transactions at market prices when transacted between related parties. The 2010 Guidelines states that transfer prices are significant for both taxpayers and tax administrators because they determine in large part the income and expenses and therefore taxable profits of related parties in different tax jurisdictions.

Within the modern era where trade barriers are falling and companies expanding globally by restructuring their operations, transfer pricing has gained centre stage.

Now, there is no universally accepted definition of business restructuring; however, the 2010 Guidelines define business restructuring as the cross-border redeployment by a multinational enterprise of functions, assets and/or risks. It may also involve cross border transfers of valuable intangibles or termination or substantial renegotiation of existing arrangements. Such business

restructuring therefore results in profit reallocation amongst members of an (MNE) through an internal reallocation of functions, assets and risks.

The Revenue authorities of each country are therefore concerned on business restructuring exercises undertaken by multinational enterprises (MNEs) which results in a profit shift. In order to protect its tax base from business restructuring, the Revenue authorities are implementing necessary measures.

Within Asia, China has rolled up its sleeves against corporate restructuring activities through regular updates of tax regulations. Regulations on tax implementation rules for corporate restructuring, tax issues for equity transfers and further details on tax aspects of restructurings have been issued by the Chinese Revenue authorities. Under these regulations, determination of the "fair value" of assets maybe required during a business restructuring exercise along with necessary underlying documentation in the form of a valuation report. Pursuant to these regulations, recently, an MNE agreed to pay RMB 11 million as capital gains tax on an internal restructuring exercise of transferring shares in a number of Chinese companies between some foreign companies within the Group "at cost". The Revenue authorities in China argued that the arm's length principle should apply even for internal corporate restructuring such as this.

Australia, in addition to having its own transfer pricing and business restructuring regulations, also recently introduced rules on thin capitalisation and transfer pricing. Essentially, this new ruling, states that where an entity does not have excess debt for thin capitalization purposes, the transfer pricing provisions can still be applied to adjust (or deny) the allowable deductions in relation to the interest and other costs incurred in relation

INTERNATIONAL SNIPPETS

New member firm in Albania

BDO, the world's fifth largest accountancy network, is pleased to announce the admission of a new member firm in Albania, effective 18 February 2011.

BDO Albania was inaugurated in October 2010 and obtained its audit license on 15 February 2011. BDO Croatia is taking the lead in developing the firm in its initial stages and the new firm has been established with the cooperation of local firm PBM Ltd.

The new firm's service offering will include auditing of private and public sector organisations, tax advisory, risk assessment and internal audit services, as well as Information Systems audit and consulting and services to foreign investors.

BDO Germany acquires AWT Horwath in Munich

We are pleased to announce the successful merger of BDO AG with AWT Horwath GmbH, a Munich-based accounting firm with approximately 125 employees and a current fee income of €14 million p.a. The transaction, with retroactive effect as of 1 January 2011, will contribute to further strengthening BDO's position - especially in the southern part of Germany.

BDO Spain at recruitment fairs

BDO Spain recently took part in the employment fairs of two leading institutions in Madrid, the Universidad Autónoma de Madrid and the Instituto de Estudios Bursátiles, with a view to introducing recent graduates to BDO and giving them an idea of the career opportunities that would be available to them as employees of the firm.

to the debt funding. Israel, has also published its stance on business restructurings and has instructed its tax officers to actively pursue cases involving business restructurings.

With countries around the globe and especially in Asia stepping up efforts on the business restructuring exercises undertaken by MNEs, Singapore has also played its part. Though there are no dedicated transfer pricing regulations on business restructuring, in practice, Singapore follows the OECD transfer pricing guidelines. Principles discussed in these 2010 Guidelines will be applied for business restructurings affecting Singapore. Also, a new provision on transfer pricing was introduced in the Singapore Income Tax Act vide Budget 2010. The new section empowers the tax authorities to adjust the pricing between two related parties to an arm's length price if necessary. Further, Singapore's transfer pricing guidelines require that from 1 January 2011, all cross border related partly loans need to reflect arm's length prices.

What do all these changes mean for a taxpayer? The recent developments in transfer pricing arena have brought with it a fresh set of challenges and good practices. Challenges are for companies undertaking the transfer pricing exercise for first time and good practices for companies reviewing their transfer pricing. With special

focus on business restructurings, companies should actively support their restructuring exercises through extensive documentation. Tax advantage should not be the only criteria for a business restructuring but should be one of the factors along with commercial rationale like changes in demand, setting up a regional structure, etc.

Based on our experience, some of the triggers that companies should keep in mind for Revenue authorities probing would be:

- Decrease in overall revenue for the Singapore company
- Significant changes in the gross and operating margins
- Reduction in the overall cash flow
- Change of ownership of intangible assets
- Reduction in the number of employees for the Singapore company
- Change in the functions performed by Singapore company

We foresee a fair amount of activity on the transfer pricing front going forward with companies undertaking business restructuring to streamline their operations from the financial crisis. So, taxpayers are advised to build up its arsenal against any scrutiny by Revenue authorities should taxpayers undertake business restructurings.



INTERNATIONAL SNIPPETS

BDO Spain participates in Insurance week

Once again this year, BDO Spain's Insurance and Solvency II advisory division took part in the 'Insurance Week' event held at Madrid's convention centre. This annual event is attended by all the big names in the insurance sector and BDO Spain is pleased to be able to act as sponsor.

In more than 20 conferences, meetings and specialist forums, the key technical and legal aspects affecting this sector were discussed with the presence of the leading specialists and institutions from the industry.

BDO Spain's RAS area obtains ISO certification

The IT Audit and Information Security, Internal Audit and Consultancy Divisions of BDO Spain's Risk Advisory Services (RAS) area have recently been awarded the ISO/IEC 27001:2005 certificate by the British Standards Institution (BSI), covering all of the activities pursued by these divisions.

BDO Russia: Hermitage Museum magazine wins award

BDO in Russia has been the official adviser to the State Hermitage Museum since 2007. As such, the firm was also a primary partner and sponsor of the Hermitage magazine in 2010.

Organised by the Society of Publication Designers (SPD), the competition was held in the USA and finished last week. The publication rights to the magazine are held by Hermitage XXI Century Foundation established within the framework of a project carried out by their official advisers, BDO Russia.

BEING PRUDENT...

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It has been more than two years since Lehman Brothers Holdings Inc. filed for Chapter 11 bankruptcy protection in the United States of America (USA) in September 2008. The Lehman bankruptcy gave rise to fears regarding the stability of the global financial system as many major financial markets almost came to a complete halt.

Since then, most of the major economies have recovered with major stock exchange indices higher than the pre-Lehman bankruptcy days. In Singapore, the Straits Times Index (STI) has passed the 3,000 points mark since September 2010, rising from a low of approximately 1,500 points in March 2009. Other major stock exchanges including China, United Kingdom and USA, have also seen their respective indices rise dramatically notwithstanding the continuing sovereign credit woes in Europe and the high unemployment rate in the USA.

In Singapore, a number of companies are reporting profits and boasting strong free cash flows which resulted partly from reduced capital expenditure during the crisis period and equity fundraising. How things have changed.

During this period of "good times", we have also seen companies capitulate under the weight of their problems and going under. So just what caused these companies to go under?

One of the most common issues faced by many companies, regardless of how well the companies may be doing, is the failure to manage cash flow. As the saying goes, cash is king. Cash flow problems can arise due to many reasons, from bad debts and poor collections from customers to failing to bill customers for work-in-progress on time, general rise in costs, "frivolous" expenditure, lack of costs control and fraud amongst others.

Overreliance on one or two customers is another factor which can cause the downfall of companies, regardless how well the companies may be doing. More often than not, such customers would contribute a significant part of the companies' revenue and profits. Hence when these customers cease to purchase from the companies, the companies may face problems including excessive costs and overheads with insufficient revenue to cover the same. During such times, one of the most critical issues that face companies is finding enough cash to meet its liabilities and payment obligations. This calls into play longstanding and good relationships between the companies and their suppliers. It is essential that companies obtain longer credit terms from suppliers and creditors. The lack of longstanding and good relationships with suppliers and creditors would make it difficult for companies to delay payment obligations thereby leading to possible legal actions from suppliers and creditors to enforce payments.

Diversification into new and unknown markets also poses a problem to companies especially if sufficient market research is not carried out. The degree of investments and costs in such diversification, especially into overseas markets, are normally enormous especially in good times, when companies seek to capitalize on expansion opportunities to generate more profits. Hence companies intending to diversify and expand should ensure that sufficient market research and due diligence have been conducted.

It is imperative that companies and their respective management do not ignore red flags and signs of possible trouble brewing within their companies. A very common mistake that successful and affluent companies and management make is to underestimate the magnitude of such problems. Prudence should still prevail.

INTERNATIONAL BUSINESS SERIES:

NEW FRONTIERS – LATIN AMERICA: NO LONGER AN ECONOMIC BACKWATER

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For those of us who recently had a plate of Chicken Rice at our favourite hawker centre, it is quite likely that the poultry may have come from one of Brazil's large meat processors. If you have travelled recently on one of the regional flights in Europe or America, you may have sat in an Embraer, designed and built in Brazil.

From East to West, the undeniable growing presence of "Multilatinas", a term often used to describe Latin multinationals, is there for all to see and feel. While it is no surprise to see the increasing global presence of multilatinas emerging from Brazil, which accounts for around half of Latin America's economy and population, multilatinas are also common to the rest of the Spanish-speaking Latin American economies across various sectors. Mexico is home to the world's 3rd largest bakery, behind only to Japan-Based Yamasaki Baking and U.S.-based Nabisco. It is also the home to one of the largest telecoms companies and its owner, Carlos Slim, the world's richest man.

While many of the developed nations' economies were brought to their knees by the financial crisis, Latin America has remained relatively unscathed. The region has become a very different place from previous perceptions commonly associated with it, one of high economic instability and slow business. Some economy watchers have predicted the 2010s to be the decade of Latin America. The World Bank is bullish on its prospects, holding the view that while mature economies caught a pneumonia during this financial crisis, Latin America only 'caught a cold' after having been immunised from past crisis.

While showing strong signs of promise, there are persistent long term challenges that the region faces. Shortage of skills, education, poor infrastructure, security and rising violence - commonly related to drug related activities, most notably in Mexico. Government bureaucracies can often impede foreign entrants into the markets and increase business costs. Brazil has notoriously complex regulatory procedures and is ranked 127th out of 183 countries in the most recent World Bank's annual Doing Business Report, below countries like Mozambique and Nepal. Roads and infrastructure leading to the western side of Latin America are notoriously bad, thus making transport and logistics costs very high - in some cases, even higher than import duties. It has been said that it may be cheaper to export goods from east Asia to Chile, for example, than from Brazil. As such, this has forced many companies with relevant markets there to produce locally.

Despite the challenges, they can be overcome. The internet and the growing frequency of air travel is speeding integration within countries and between countries in the region. According to IATA, freight volumes in the region have grown by 40% last year, almost double the global average. Other than Venezuela and Bolivia, to a lesser degree, governments are pro-business. While taxation may be difficult, language is a barrier, time required to establish a business and bureaucracy are negative issues, many foreign companies have managed to work around them. At the same time, Latin America offers what many mature economies do not offer, which is that of a large, expanding domestic market and a young and growing population.

Some of our very own Singapore companies have led the way with significant investments made into Latin American region. Companies

like Keppel Offshore and Sembcorp Marine are leading players in Brazil and Mexico's shipyard and oil and gas sectors. - together they employ over 20,000 staff in their Brazilian facilities. On the hospitality side, Banyan Tree Holdings has two resort projects along the Mexican coastal regions. In agri-business, companies like Petra, Olam and Noble Group has also made investments in Brazil and Mexico. Increasingly, our SMEs are also getting into the act. This includes Tai Hua Food Industries, a soy sauce company, who started exporting to Mexico in 2008

As most business owners will tell you, doing business was and is never easy and it is definitely not for the feint hearted. However, for those who are entrepreneurial and farsighted enough to venture away from the well-trodden path, therein may lie a 'promised land'. All things considered, now may be the best time ever to launch or grow a business in Latin America - as long as one bears in minds that the key to success there may lie in having sufficient cash, preparation and patience.



M&A OUTLOOK

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As the dark clouds of economic uncertainty lift, the environment for corporate deal-making seems to be looking brighter. The third quarter of 2010 saw a pick-up in M&A activity, with the expected deal momentum to continue into 2011. Indeed, with worldwide M&A reaching \$212 billion in November, it has recovered from the doldrums of 2009, which was a 52 percent decline from the peak of 2007. Yet, uncertainty is still rife.

McKinsey & Company's report on quarterly conditions, found that there is a record cash on United States companies' balance sheets, which most likely will translate to an increase in willingness to invest in growth. The report also found that many are looking abroad, eager to capitalise on the fast-growing economies and the rising influence of China, India and Brazil. On top of that, Thomson Reuters and Freeman Consulting Services recently predicted a 36 percent rise in global deal activity to \$3 trillion in 2011. Recently this January, PricewaterhouseCoopers announced that "key conditions are in place for a resurgence in deal-making in 2011."

Indeed, companies have better access to funding and have more cash on hand since before the crisis. However, there is still the absence of a key M&A driver - high levels of confidence. Conflicting opinions on optimistic outlooks are abound, and there is still evidences of wariness. According to a recent survey, 'Capital Confidence Barometer' by Ernst and Young, executives have generally grown more positive, but uncertainties arising from persistent credit issues, an unclear regulatory environment in many nations, government deficits, currency conflicts and moves for greater governmental rigidity continue to cause widespread



economic discomfort. The level of scrutiny has increased especially for cross-border mergers, with the long term trend of an increasing number of cross-border deals. Before the economic crisis reached its depths in 2008, many companies around the world had increasingly sought to raise their foreign presence through cross-border M&A. That trend abruptly ceased in 2009 with the number of cross-border deals dropping significantly. As reported by McKinsey, cross-border activity as a share of total M&A value fell by ten percentage points, from pre-crisis levels of above 40 percent. With rising protectionism, as governments are increasingly keen to protect their national icons, some multi-billion-dollar international takeovers this year might be threatened and possibly dampened. Hurdles were seen with Singapore Exchange Ltd's proposing a takeover of Australia's stock market operator ASX Ltd and running into opposition from Australian lawmakers who may block legislative changes needed for the deal to go ahead. And who would forget Canada's decision to block BHP Billiton's US\$39 billion bid for Potash Corporation in November. Not forgetting UK explorer Cairn Energy

running into political problems as it plans to sell a US\$9.6 billion majority stake in its Indian unit to Vedanta Resources, with the Indian government extending the deal to April 2011, saying there are many complications.

Another defining feature which may impede M&A activity, are the changes in regulatory and tax landscapes, which has impacted private equity firms. The Dodd-Frank Act and the Alternative Investment Fund Managers (AIFM) Directive will require an increased focus on fund operations, on top of more transparency to limited partners. Tax landscapes also continue to be a challenge, as governments raise taxes to cover deficits. Fund-raising will hence remain difficult.

With confidence shaky, there is however still a glimmer of light for M&A activity, with executives shifting their focus to more strategic acquisitions, that of organic growth (improving their existing business, instead of acquiring something new). Despite great opportunities for M&A activity, overall low confidence outweighs the appetite for growth.

WHAT MATTERS TO YOU MATTERS TO US

The BDO network provides services in the following countries*
*this list is current as of 1 January 2011

ALGERIA - ANGOLA - ARGENTINA - AUSTRALIA - AUSTRIA - AZERBAIJAN - BAHAMAS - BAHRAIN
BELARUS - BELGIUM - BOLIVIA - BOTSWANA - BRAZIL - BRITISH VIRGIN ISLANDS - BULGARIA
CAMBODIA - CANADA - CAPE VERDE - CAYMAN ISLANDS - CHILE - CHINA (PRC) - COLOMBIA
COMOROS - COSTA RICA - CROATIA - CYPRUS - CZECH REPUBLIC - DENMARK & FAROE ISLANDS
DOMINICAN REPUBLIC - DUTCH CARIBBEAN (ARUBA - CURACAO - ST MAARTEN) - EAST AFRICA
(BURUNDI - KENYA - RWANDA - TANZANIA - UGANDA) - EASTERN CARIBBEAN (ST LUCIA
ST VINCENT & THE GRENADINES) - ECUADOR - EGYPT - EL SALVADOR - ESTONIA - FINLAND
FRANCE - GEORGIA - GERMANY - GIBRALTAR - GREECE - GREENLAND GUATEMALA - GUERNSEY
HONG KONG - HUNGARY - INDIA - INDONESIA - IRELAND - ISLE OF MAN - ISRAEL - ITALY
JAMAICA - JAPAN - JERSEY - JORDAN - KAZAKHSTAN - KOREA - KOSOVO - LATVIA - LEBANON
LIECHTENSTEIN - LITHUANIA - LUXEMBOURG - MACAO - MADAGASCAR - MALAYSIA - MALTA
MAURITIUS - MEXICO - MOROCCO - MOZAMBIQUE - NAMIBIA - NETHERLANDS - NEW ZEALAND
NIGERIA - NORWAY - OMAN - PAKISTAN - PANAMA - PARAGUAY - PERU - PHILIPPINES - POLAND
PORTUGAL - QATAR - ROMANIA - RUSSIA - SAN MARINO - SAUDI ARABIA - SENEGAL - SERBIA
SEYCHELLES - SINGAPORE - SLOVAK REPUBLIC - SLOVENIA - SOUTH AFRICA - SPAIN - SRI LANKA
SURINAME - SWEDEN - SWITZERLAND - TAIWAN - THAILAND - TRINIDAD & TOBAGO - TUNISIA
TURKEY - TURKMENISTAN - UKRAINE - UAE - UNITED KINGDOM - UNITED STATES OF AMERICA
URUGUAY - VENEZUELA - VIETNAM - ZAMBIA - ZIMBABWE

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