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THE PROFESSIONAL

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- A photograph of the Singapore skyline, featuring several prominent skyscrapers and a bridge over a body of water in the foreground. The image is used as a background for the magazine cover.
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Paul Wan & Co. Clinched Another Listed Company As Client.




Net Pacific Financial Holdings Limited

(Formerly known as K Plas Holdings Limited)

NET PACIFIC FINANCIAL HOLDINGS LIMITED was incorporated in Singapore under the name of K Plas Holdings Pte Ltd on 9 January 2003 and renamed to K Plas Holdings Limited on 4 June 2003. The Group is principally engaged in the design and fabrication of plastic injection moulds and the manufacturing and financing business. Net Pacific is listed on Catalist.

With a focus on the consumer electronics and automotive, Net Pacific's core business competencies are in the areas of design and fabrication plastic injection moulds.

Financial business involves provision of working capital financing, asset-backed loans, mezzanine loans and investments in companies with good fundamentals and growth potential. 



Mr. Kwok Chin Phang, CEO Mr. Alan Ong and Ms. Chong Kian Lee of Net Pacific Financial Holdings Limited with Mr. Paul Wan

*Paul Wan & Co,
Singapore
Mr. Paul Wan*



Entrepreneur of the Year 2010 ROTARY-ASME AWARD & BEST INNOVATIVE AWARD



Paul Wan & Co is proud to be associated with two of our distinguished clients – Managing Director Mr. Christopher Ng from Rigel Technology (S) Pte Ltd and President/CEO Mr. Tony Yap from PBA (S) Pte Ltd are chosen as the overall winners of **the top ROTARY-ASME Entrepreneurs of the year 2010**. Mr. Christopher Ng was also awarded the **Best Innovative Award**. **Congratulations** to both our clients and their respective companies. As their auditors, we were proud to have contributed to the success of our clients and their prestigious awards.



ROTARY - ASME AWARD & BEST INNOVATIVE AWARD

Rigel Technology (S) Pte Ltd

– Managing Director Mr. Christopher Ng



Green Restroom Specialist

Originating from resource-scarce Singapore in 1991, Rigel Technology has shown that the progressive spirit of innovation knows no bounds. Pioneering premium restroom solutions that make optimum use of energy, it has walked the talk of a LOHAS philosophy. Rigel's state-of-the-art water-conservation and power-saving technologies have not only made resourceful living an everyday choice for urbanites; they have also made it possible for buildings to go green and clean and reach the standards of the Green Mark Scheme launched by the Building and Construction Authority.

Reaping the fruits of two decades of intensive research and development, Rigel has made a splash with its total suite of innovative hygiene solutions that includes its proprietary integrated sensor flush valves, LCD sensor flush valves that can double up as an advertising medium, the revolutionary Spreader that saves up to 50% water compared to conventional urinal technology, integrated water recycle cistern in closed coupled WC with built-in wash basin, self-closing delay action taps, sensor soap dispensers and more.

Having met the exacting requirements of ISO: 9001, International Certification Network, British Standards Institution and European Commission Declaration of Conformity, among others, Rigel's professional sanitation systems are internationally accredited.

Back home in Singapore, Rigel's eco-friendly niche has been affirmed by PSB Corporation and the Public Utilities Board's Water Efficiency Labelling Scheme, which has certified most of Rigel's products with the highest rating of three ticks. Rigel has also achieved Class 1A grade under the PSB Product Listing Scheme, which reinforces the top quality of its sanitary wares provided for government projects.

These achievements are the result of targeted business development. As Rigel shaped its Singapore headquarters into a R&D hub and strengthened its manufacturing base in China, it has effectively optimised the competitive advantages and distinct capabilities of every market where it has a corporate presence.

The astute management and branding strategies adopted by Rigel have been highly appraised by renowned



organisations. In 2010, Rigel was conferred the **Power Brand Award** by Asia Entrepreneur Alliance and its leading brand position in the regional market was cemented as it emerged as the winner in the Leadership Excellence category of the 6th **Asia Pacific Super Excellent Brand Award**. The green restroom specialist has also been nominated for the **Singapore Prestige Brand Award**, Singapore's most reputable award for branding excellence organised by the Association of Small and Medium Enterprises and Lianhe Zaobao.

Rigel's eco-friendly brand name is set to make its mark around the world as its committed distributors in the Middle East, Hong Kong, Sri Lanka, Maldives, India, Chile and other countries have been perpetuating its unique selling proposition of water-efficient restroom technology in a bid to expand Rigel's global market share.

As Rigel progresses in the journey towards greater sustainability, it hopes to form partnerships with more overseas distributors who can identify with its competitive advantages – green innovation, intelligent technology and total hygiene. By combining the strengths of various talents, Rigel aspires to fulfil its environmental mission internationally and shape a more livable planet for posterity.

The Green Entrepreneur who thrives on Eco-Innovation

The desire to re-invent the wheel has always been driving Mr. Ng Eng Seng to seek greater breakthroughs since young. That was why when the restless engineering graduate from the University of Alberta came across the opportunity to revolutionise the restroom experience when he was just 29 years old, he took the plunge and set up Rigel Technology (Singapore) Pte Ltd, adamant on creating his own business empire. Since then, the entrepreneur has never looked back.

Today, nearly two decades later, Mr. Ng has built Rigel into the well-acclaimed green restroom specialist through perseverance

and diligence. Of course, for a Managing Director, vision is always important in leading the company to scale greater heights.

A firm believer that those simple little practices people adopt in everyday life can go a long way to save the Earth and her precious resources, Mr. Ng has pioneered the trend of water conservation and energy efficiency in the restrooms way before the green LOHAS movement took the world by storm and made eco-friendly living chic.

Driven by the vision for a more sustainable future, the eco-conscious entrepreneur has led the way in creating clean and green oases on the urban landscape. Mr. Ng has always insisted on delivering top quality green restroom products so that clients can reap the advantages of sustainable building management, benefit from cost savings and do their part for the environment at the same time.

The eco-champion's relentless pursuit of cutting-edge eco-innovation in the restrooms and his efforts in building a sustainable enterprise have paid off.

On 8 October 2010, Mr. Ng was conferred the Top Entrepreneur accolade at the prestigious **Entrepreneur of the Year Award (EYA)** organised by the Association of Small and Medium Enterprises and the Rotary Club of Singapore. In addition, he also won the much coveted **EYA for Innovation award** sponsored by Lexus.

These watershed achievements are a firm accreditation of Mr. Ng's management skills. An advocate of leadership empowerment to bring out the best in his team of people, whom he believes to be his best asset, Mr. Ng is quick to acknowledge that Rigel is able to have its present accomplishments because of steadfast efforts put in by his dedicated staff every step along the way.

More than just a trailblazer for green restroom technology, Mr. Ng has also gone back to basics as he recently embarked on a project to uplift hygiene standards for impoverished communities. By working closely with the World Toilet Organisation, he has been providing portable, eco-friendly toilets to help the rural poor in developing countries lead a more dignified life with cleaner environmental sanitation.

Having come a long way with the green enterprise he created, the down-to-earth Managing Director of Rigel hopes to live up to his corporate social responsibility and shape a long-lasting green legacy that can benefit humanity for generations to come. *W*



ROTARY - ASME AWARD

PBA (S) Pte Ltd

– President/CEO Mr. Tony Yap



PBA is in the business of the manufacturing of linear motors and the distribution of a wide range of precision bearings as well as providing automation solutions.

Established since 1987, our President/CEO, Mr. Tony Yap had built PBA to be one of the largest regional distributor of precision bearings and parts in the Asia-Pacific region.

PBA's market coverage is indeed Global and extend to over 18 countries worldwide from Asia to Europe and the USA. We have our own overseas offices and distributors in the following countries, world-wide.

Overseas Offices:

Singapore, Malaysia, Indonesia, Thailand, Philippines, China, Hong Kong, Vietnam, India and Netherlands.

Distributors

Taiwan, Korea, Japan, Germany, Italy, UK, Israel and USA.


Tony's entrepreneur spirit was forged at a very young age. Growing up poor in a kampong, Tony had a taste in entrepreneurship early in life ...in order to help support his family. When he was only 6-7 years old, he had to help sell his mum's home made cakes, going from home to home with a basket of cakes on his head. He later demonstrated his entrepreneurship further by setting-up a make-shift stall to sell fighting fishes It was a tough life, indeed.

Tony was to understand the importance of profit in business. The few cents of profit earned from selling cakes and fishes, was a great help in feeding his Big family of 8 siblings. This was his first lesson in business.

With just a Primary qualification, Tony can only begin his career as an Apprentice in Sembawang Shipyard at the age of 15. Realizing that he had missed out on his education, Tony did part-time courses and studied very hard to attain a Marine Engineering Degree. He later began a marine engineering career with Straits Steamship and NOL, sailing and progressing to a Senior position as a 3rd Engineer. However, to start a family, Tony took a land job as a Sales Engineer and a drastic cut in salary. He later joined a Japanese Ball Bearing Manufacturer as a Sales Engineer. Tony proved his mettle in sales and

marketing, being promoted rapidly from Sales Manager to Division Manager to International Sales Manager for the whole of the Asia-Pacific region.

However, his Entrepreneur spirit derived from his younger days did not permit him to stay contented as a successful Senior Manager in a MNC. He had a burring desire to be an Entrepreneur and was determined to take the Entrepreneur risk to strike out on his own. As such, Tony left to start his own business, in the trading of Precision Bearings and Parts as a Distributor for a German Manufacturer. It was a tough beginning working from a small Toilet size office with 2nd hand discarded furniture.

However, No dealer wanted to support him as every dealer in Singapore wanted to distribute direct themselves. Tony hit on an Innovative idea.....he decided to create demand outside of Singapore. He canvassed small dealers and end-users in Malaysia and Indonesia to create demand which forced the Big dealers in Singapore to carry his stock to supply them. Thus, Tony managed to get his business going. Struggling to survive on the initial few small orders, Tony's perseverance as an Entrepreneur paid off and he finally managed to secure his first major order for \$400,000. From then on, Tony was able to slowly but surely built up his PBA business empire and expand throughout the region. 



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Singapore GDP Growth Holds Steady

Against a strong first half of 2010 GDP performance, it is expected that the third quarter of 2010 GDP lowered down to 10.3%. The third quarter of 2009 itself raised fast as the economy picked up steam past the 2008/early 2009 world and domestic recession.

On a quarter to quarter annualized basis, GDP contracted by 19.8 per cent. An analysis of the third quarter GDP performance is as follows:-

	3Q09	4Q09	2009	1Q10	2Q10	3Q10*
Percentage change over corresponding period of previous year						
Overall GDP	1.8	3.8	-1.3	16.9	19.6	10.3
Goods Producing Industries						
Manufacturing	7.6	2.2	-4.1	38.1	46.1	12.1
Construction	11.7	11.5	16.2	9.7	11.5	6.7
Services Producing Industries	-1.1	3.7	-1.4	11.4	11.8	10.2
Quarter-on-quarter annualised growth rate, seasonally adjusted						
Overall GDP	11.1	-1.0	-1.3	45.9	27.3	-19.8
Goods Producing Industries						
Manufacturing	23.6	-27.0	-4.1	200.3	66.6	-57.0
Construction	3.9	13.6	16.2	0.5	29.1	-11.7
Services Producing Industries	7.6	9.6	-1.4	17.7	12.6	1.6

* Advance estimates

Moving forward, we expect a further cooling of the economy as the strong Singapore dollar will have an impact on exports. However tourism led by the huge success of the two casino resorts and a strong pick-up in the financial services market will negate the impact from the manufacturing sector. Overall, we expect the 2010 GDP to be in the range of 11.5% - 12%. 

Currency Outlook... Currency War

Never before in the last 5 years, had we seen sharp movements in the currency market.

Spotlight – The US\$. From August 2010 right up to current date, the US\$ has been loosing ground and steam against all major currencies. With mounting sovereign debt of US\$19 Trillions, huge budget deficit expected for 2010 of US\$1.3 Trillions and unemployment rate hanging at 9.5% level, this gives very little comfort to the markets.

Results – US\$ had lost an average of 15 percent against major currencies.

At as the time of writing this article for printing, US\$ against the following currencies is as follow:-

Euro	1.3865
Sterling £	1.5845
Japanese Yen	81.36
Australian \$	0.9859
Chinese RMB	6.6625
Singapore \$	1.2975

We expect the US\$ will continue to weaken as the Obama government looses control over the House of Representative and loosing substantial seats in the senate.

The Euro will be tested over the next 3 months as Europe enter into the winter and the protests from workers/union over the massive austerity drive undertaken by various European government to reign in the spending and budget deficit and of course to reduce the sovereign debt.

The effects of the strike by the lorry divers in France in mid-October 2010 nearly crippled. France is just a signal of what to expect.

From France, UK, Italy, Spain and Greece, we should be expecting not only national strikes and disruptions but co-ordinate action across Europe. Should this happen, it will bring Europe to its knee and will send the economy reeling and will test the Euro. We may see the Euro going back to 1.40 – 1.42 level against US\$ and for sterling £ to 1.47 – 1.49 level against the US\$.


The Japanese Yen which is trading at all time high is expected to remain at 81 – 84 level as Japan's Central Bank kept tight - Having failed in a couple of attempts to sell bonds to bring the Japanese Yen down. However, we may expect a dramatic move should the Japanese Yen start to strengthen close to the psychological 80 Yen mark.

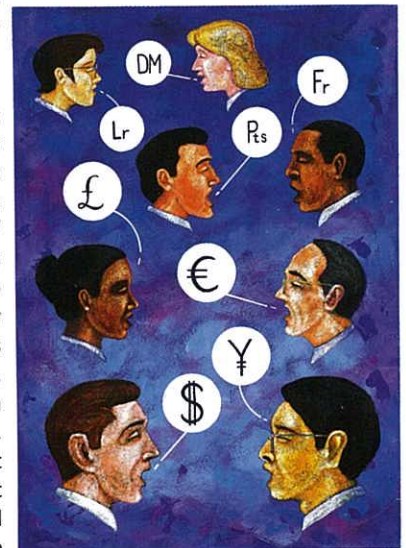
The Australian \$ (A\$) is perhaps the sole major currency which will hold steady and will widen interest spread against the greenback and strong underlying economy spurred by the commodities demand (mainly from China). We may see the A\$ testing the path A\$1 – US\$1 towards end of 2010.

Chinese RMB – Tightly controlled currency by the Chinese government was criticized by the US, Europe as well as Japan that it was undervalued. For the last one year, we saw comments/pot shots taken against the Chinese RMB particularly in the US – Blaming the Yuan exchange rate or the huge trade imbalance between the two countries. China however blamed US for its weak US\$, not a weak Chinese RMB for the problem. Hailing the recent steep fall of the US\$ and seeing the issue going nowhere, the US has been slapping tariffs against a wide range of Chinese goods entering their country.

The Singapore \$ (S\$) surpassing the 1.30 level, now trading at the 1.295 level is expected to strengthen gradually but at a slower pace as the Central Bank, Monetary Authority of Singapore(MAS) in its last review, indicated that it will allow a strong S\$ to fight against inflation. With a robust domestic and regional economy, there is room for the S\$ to go up to 1.25 – 1.26 level over the next few months probably touching 1.25 towards the end of January/early February 2011.

Now one can see the currency market is not controlled by market demand or sentiments but by central banks/governments as it uses the currency as a tool to complement its monetary policies and to protect its respective economies. Thailand and South Korea are two good examples. Thailand imposed strict controls on foreign direct investments to control the "Hot economy and the rising Thai Baht". South Korea recently introduced foreign currency controls in an effort to control the Korean Won from speculators.

Currency manipulation or currency war whatever one called it – We can expect more action than words now over the next 12 months. 



货币前景…货币战争

过去5年我们从未看到，货币市场如此急剧转变。

注意中心 - 美元。从2010年8月到现在，美元持续走弱，对各主要货币均出现贬值。19万亿美元的高额外债，2010年预计1.3亿美元的巨大财政赤字，失业率一直处于9.5%左右，这些都给整个市场造成了很大的不安。

结果-美元已经对主要货币贬值了15%。

截止到截稿为止，美元兑主要货币汇率如下：

欧元	1.3865
英镑	1.5845
日元	81.36
澳元	0.9859
人民币	6.6625
新加坡元	1.2975

我们预料美元将继续走弱，因为奥巴马政府失去了对众议院和大部分参议院席位的控制。

欧元将会在接下来的3个月内受到测试，因为欧洲进入了冬季，以及来自工会的抗议，抗议大部分欧洲政府为了克服支出，财政赤字以及当然减少外债而实施的大规模经济紧缩。

在2010年10月中法国卡车司机罢工造成了影响。法国的罢工只是所预料到的一个信号。

来自法国，英国，意大利，西班牙以及希腊，我们应该预料到的不只是全国性的罢工和破坏，还有在全欧洲协同展开行动。如果这发生的话，那将给欧洲带来重创，使经济陷入危机，同时将测试欧元。我们可能会看到欧元兑美元回到1.40 - 1.42的水平，以及英镑兑美元回到1.47 - 1.49的水平。

一直交易都很高的日元将预料会保持81 - 84的水平，因为日本央行保持紧缩政策 - 已经失败几次通过卖债券来拉低日元的尝试。可是，我们可能预料戏剧性的变化如果日元开始强势到心理价位80日元。

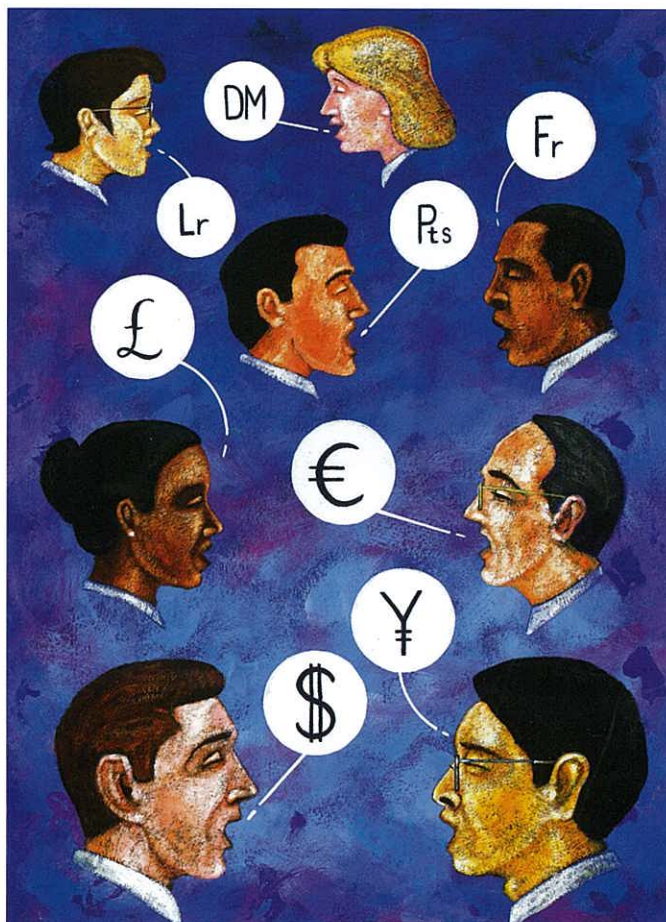
澳元可能是唯一保持稳定的主要货币，将对美元和在商品需求（主要来自中国）刺激下产生的强大经济基本面放宽利息差。我们可能会看到在2010年底测试澳元兑美元1比1的位置。

人民币-在中国政府紧紧的控制货币被美国，欧洲和日本批评价值被低估。在过去的1年时间里，我们看到特别是美国对于人民币的评论和炮轰 - 职责人民币的汇率或者两个国家之间巨大的贸易逆差。然而中国却指责美元贬值问题不是人民币造成的。美元最近的急剧下跌和问题到处蔓延，美国已经对进入境内的大范围中国产品征收关税。

新加坡元超过了1.3的水平，现在交易在1.295的水平，欲将继续逐渐走强，但是回忆一个较慢的速度，因为央行，新加坡金管局在过去的报告中表明它将允许强势新币以此来对抗通货膨胀。随着强力的国内及周边经济，新加坡仍有空间在接下来的几个月内向上至1.25 - 1.26的水平可能会在2011年1月和2月早期触及1.25。

现在能看到的是货币市场不会被市场需求和市场情绪所控制，但是央行/政府将用把货币当作工具来补充货币政策及保护未来的经济。泰国和韩国就是两个好的例子。泰国推行了严格的境外直接投资以此来控制“经济过热和泰元的上涨”。韩国最近努力引进了外汇控制以此来控制投机者。

货币操纵或者货币战争，不管是哪个称呼-我们能预测在接下来的12个月里，相比较对话，越来越多的行动将会展开。



Overseas Listing

Singapore Well Position As a Hub for Cross Border Listing

In July this year the Singapore government reported Q 2 GDP growth of 19.3% and revised its 2010 growth forecast from 13% to 15%.

With the strong economic base and infrastructure including very clear transparent laws and regulations, Singapore is one of the favorite place for companies seeking listing.

As at present date there are about 650 and 138 companies listed on the main board and the sponsor market Catalist. Total market capitalisation stands at S\$721 billion for both markets.

Though the market capitalisation is not large as compared to markets like Japan and Hong Kong, however Singapore has shown to be a very resilient market less susceptible to huge swings as the regulators are very strict on 'market rigging' and insider dealings.

In addition, in the last couple of years in particular, the Singapore market has successfully insulated itself to the regional bourses of China, Hong Kong and Japan's wide swing.

Looking at the following comparative market indices over the last 12 months tells the story:

	As at September 2009	As at September 2010	12 months % change	12 months High
Japan NIKKEI	10,100.20	9,369.35	(7.23%)	11,408.17
Hong Kong Hang Seng	20,955.25	22,358.17	6.69%	23,099.57
China - Shanghai	2,779.43	2,655.66	(4.45%)	3,361.39
China - Shenzhen	949.23	1,169.02	23.15%	1,256.43
Singapore	2,672.57	3,097.63	15.9%	3,125.38

The indices confirm the stability of the Singapore market and the growth. As of June, most regional markets are down with the exception of China where the Shanghai index is down 20% and the Shenzhen down by 2%. With full economic recovery, the market is on the downtrend which indicates concern on the uncertainty of the economy moving forward.

If one takes a closer look Singapore has attracted 318 foreign companies which are listed on the main board and Catalist. Of which 158 companies are large Chinese groups which have chosen Singapore. More recently, the Companies from Hong Kong, Vietnam and Thailand also have sought listing in Singapore.

In 2008, the Singapore Exchange revamped the second board Catalist¹ and modelled it along the UK AIM where companies are listed via sponsorship and the Exchange do not 'approve' the listing but the sponsor takes on the role and responsibility lodge the prospectus with the Exchange.

The detail listing requirements are expanded below:

Main board listing requirement:

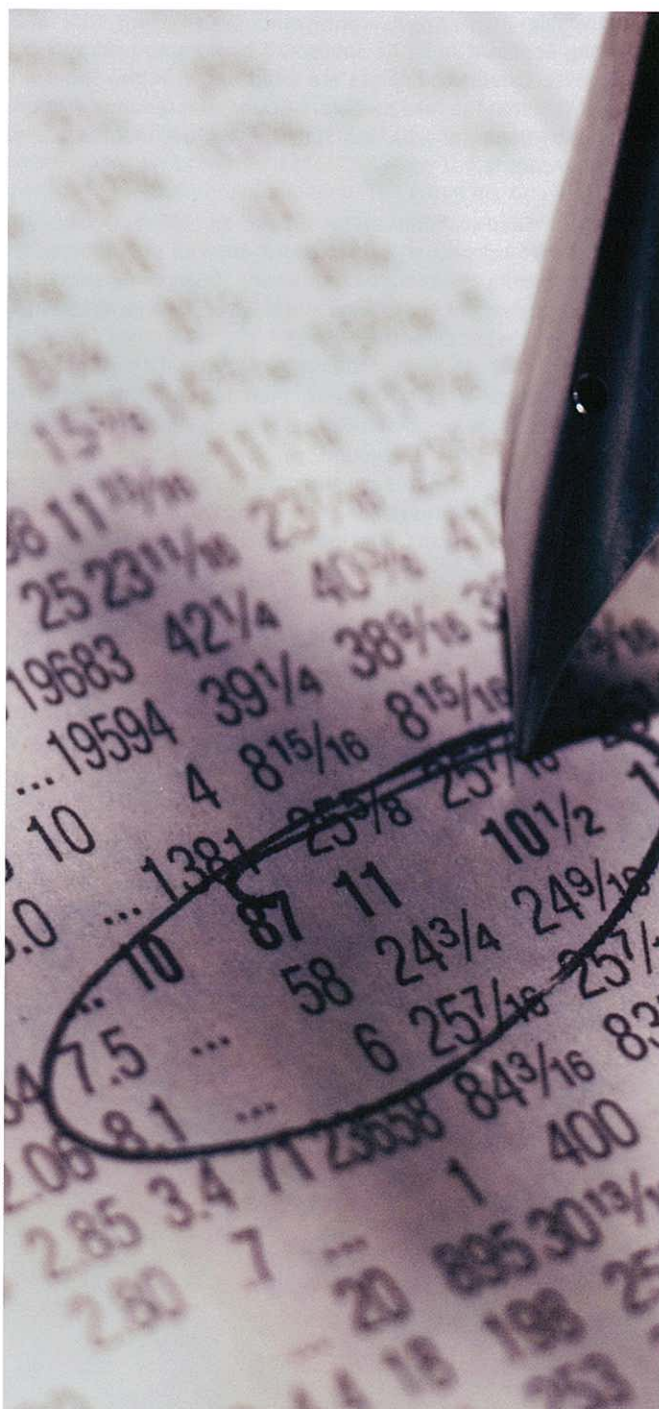
	Alternative 1	Alternative 2	Alternative 3
Pre-tax profits	Cumulative pre-tax profit of at least S\$7.5m over last 3 financial years, with pre-tax profit of at least S\$1 million in each of those 3 years	Cumulative pre-tax profit of at least S\$10m for the latest 1 or 2 years	NA
Market capitalization	NA	NA	Market capitalization of at least S\$80 million based on issue price
Operating track records	3 years	1 or 2 years as the case may be	NA
Continuity of management	3 years	1 or 2 years as the case may be	NA

¹ The name "Catalist" is a combination of the words "catalyst" and "listing". It signifies a listing on this platform acting as the catalyst to propel the growth of a company.

1. An issuer must also satisfy one of the following requirements:
 - Profitable in the latest financial year (pre-tax profit based on latest full year consolidated audited account). Have an operating track record of at least 3 year and a market capitalisation of not less than S\$150 million based on the issue price.
 - With operating revenue in the latest financial year and a market capitalisation of not less than S\$300 million based on the issue price.
2. Issue Price
 - The issue price of the equity securities (other than convertible equity securities) offered for subscription or sale, for which a listing is sought, must at least S\$0.50 each.
3. Issuer must have been engaged in substantially same business and have been under substantially same management throughout period for which relevant profit test applies.
4. If group made low profits or losses in 2 years before application due to specific factors which were of temporary nature and such adverse factors have either ceased or are expected to be rectified upon issuer's listing, application may still be considered.
5. In determining profits, exceptional or non-recurrent income and extraordinary items must be excluded.
6. SGX will normally not consider application for listing from issuer which has changed or proposes to change financial year end if it is of opinion that purpose of change is to take advantage of exceptional or seasonal profits to show better profit record.

Catalist Listing Requirements:

Pre-tax profit	Nil. Business is expected to be viable and profitable, with good growth prospects
Market capitalization	NA
Operating track record	A company with no track record has to demonstrate that it requires funds to finance a project or develop a project, which must have been fully researched and costed
Continuity of management	NA



1. Sponsorship

A listing applicant must be sponsored by an approved Sponsor of Catalist. Catalist companies are listed based on the Sponsor's assessment that they are suitable. SGX does not set any minimum quantitative entry criteria, but Sponsors will use their own deal selection criteria.

Listing in Catalist required to submit an "Offer Document" compare to "Prospectus" in mainboard. Sponsor can obtained an exemption from the Monetary Authority of Singapore (MAS) for the relevant sections in the Securities & Futures Act (SFA) as it may not required in an "Offer Document".

However, there is no change to the disclosure standards in Catalist, as it is the basis for investors to make informed decisions. Therefore, the Offer Document will be subject to the same disclosure requirements as a prospectus. To support this disclosure requirement, provisions relating to civil and criminal liability in the SFA will still apply to an Offer Document.

The prospectus exemption also means that the requirement to lodge and register the Offer Document with MAS will no longer apply. Instead, it will be lodged with SGX. Offer Documents will be posted on SGX's Catalog website, for a period of at least 14 days. This will provide an avenue for the public to air any serious concerns they may have, and act as an additional safeguard.

2. Working Capital Statement

The Sponsor and directors of the company must include a statement in the Offer Document that the company has sufficient working capital for the present requirements and for at least 12 months after IPO.

3. Shareholding Spread

To promote healthy post-IPO trading activity, the shareholding spread requirement is set at 15% of issued capital in public hands with a minimum of 200 shareholders.

4. Moratorium Period

To secure the commitment of promoters and pre-IPO investors, restrictions on the sale of their shareholdings will apply.

Shareholding Spread & Distribution

Public float 公开发行				Distribution	
MAINBOARD	Market capitalisation (\$\$'m)	Proportion of post-invitation share capital held in public hands	Number of shareholders	Total offer size (\$\$'m)	Distribution
	<300	25%	500	<75	At least 40% of invitation shares or \$15 million whichever is lower, must be distributed to investors each allotted not more than 0.8% of invitation shares or \$300,000 worth of shares whichever is lower
	300 — 400	20%	500	75 — 120	At least 20% of the invitation shares must be distributed to investors each allotted not more than 0.4% of the invitation shares
	400 — 1000	15%	500	>120	No requirement applicable
	>1000	12%	500		
	Any size	15%	200	As above	

For more information on Cross Border listing in Singapore, please contact Mr Sudhir Kumar of Morison Menon (sudhir@morisonmenon.com)

Revised/redrafted SSAs effective for the audit of financial period beginning on/after 15 December 2009

SSA 540 Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures

SSA540 (revised) requires the management to document the company's process and the controls within the process in developing estimates, and whether they believe that significant assumptions used in making the accounting estimates, including those measured at fair value are reasonable.


It requires auditors to obtain written representation from management on whether they believe that significant assumptions used in making the accounting estimates are reasonable. Auditors will have to carry out more substantive procedures for significant or complex estimates.

SSA 550 Related Parties

SSA550 (revised) requires the management to document the company's process and controls over related party transaction and to maintain a list of the entity's related parties, changes from prior year, the nature of the related party relationships and the type and purpose of the related party transactions.

Accordingly, the auditors are required to be more rigors throughout the audit process in particularly regarding the business purpose of unusual transactions and around the audit of management's disclosures on related parties.

SSA 600 Special Considerations – Audits of Group Financial Statements

According to the revised SSA 600, the group engagement partner is fully responsible for the group audit opinion, emphasises greater involvement and communication between the group engagement team and the component auditors. The group engagement partner will have to involve in group planning, setting at lower than group materiality for component auditors, to direct and control the group audit even when component auditors may be involved. The group engagement partner will have to determine whether sufficient appropriate audit evidence can be obtained and in certain circumstance the group engagement team will have to involve in the work performed by component auditors. 

16919	1.254,82	89,64	1.254,95	-0,13
21606	2.657,34	63,42	2.663,59	6,43
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Transfer pricing guidelines – all related party loans and services effective from 1 January 2011

Present Practice by IRAS

Presently, there are no specific provisions in the Tax Act/specific guidelines relating to related party loans and services.

• Related Party Loans

Current IRAS's usual practice is to **restrict interest expense claimed** on loans made to related entity that are interest-free or at interest below market rates.

• Related Party Services

Current IRAS's usual practice is to **deem a certain percentage mark-up** on the related party's service fee and assess the mark-up amount to tax if the fee charged is not based on a reasonable and acceptable basis or at market rate.

Effective from 1 January 2011 onwards

It would be advisable that precautions are taken to ensure that if such related party loans or related party services exist in your company, transfer pricing guidelines **must** be followed accordingly and that adequate documentation must be maintained.

IRAS NEW GUIDELINES

• Definition of Related Party Loans

A related party loan arises when there is money lent in one form or another, irrespective of whether the loan is made through a written agreement or otherwise. It includes credit facilities or intercompany credit balances arising from the normal course of sales and provision of services which are left uncollected over a substantial period of time beyond which a third party trade creditor would typically allow.

• Charging of Interest on loans

Interest must be charged on related party loans and the **rate** must reflect those charged between unrelated parties under similar circumstances.

(i) Loans between related **domestic** entities.

IRAS recognizes that the application of the arm's length basis could give rise to difficulties and concerns for businesses and hence, they are prepared to continue with their current practice of restricting the interest expense claimed on loans made to related entity that are interest-free or at interest rates not supported by transfer pricing analysis. However, this practice will not be accepted if your company is in the business of borrowing and lending funds e.g. banks or other financial institutions, finance and treasury centres.

(ii) Loans between related **cross-border** entities.

IRAS would require all cross-border loan arrangements to **reflect arm's length principle**. The adoption and compliance with this principle will reduce the incidence of transfer pricing adjustments, improve the resolution of transfer pricing disputes and hence reduce the potential for double taxation to arise.

The **main factors** that need to be considered in determining the arm's length interest rate include:-

- (a) Nature and purpose of the loan;
- (b) Market conditions at the time the loan was granted;
- (c) Principal amount;
- (d) Tenure and terms of the loan, etc.

Withholding tax on loan interest

As regards to interest payable on loans to non-Singapore tax resident recipients, the payer is required under Section 45 of the Singapore Income Tax Act to withhold tax at **15%** (reduced rate under Double Tax Treaty may be applicable if Certificate of Residence from the non-Singapore tax resident is available) of the gross interest and account to IRAS together with a completed Form IR 37 **by the 15th of the month following the date of payment to the non-Singapore tax resident**. This Form is obtainable from IRAS website: <http://www.iras.gov.sg>. Date of payment is deemed to be the earliest of the following dates:-

- (i) when payment is due and payable based on agreement/contract. In the absence of contract/agreement, the date of invoice would be the deemed date of payment;
- (ii) when payment is credited to the account of the non-Singapore tax resident person (reinvested, accumulated, capitalized or carried to any reserve) or any other account however designated; and
- (iii) the date of actual payment.

IRAS NEW GUIDELINES

• Related party services

These services must be charged at arm's length basis, comparable to those charged between unrelated parties under similar circumstances. However, if the services provided to related parties relates to **certain routine support services, IRAS is prepared to accept at cost plus 5% mark-up**. Routine support services refer to accounting and auditing services, general administrative services and staffing and recruiting services. Further details may be obtainable from IRAS website: <http://www.iras.gov.sg> under "Transfer pricing guidelines for related party loans and related party services".

Cost-pooling arrangement

In the event that the routine support services are provided to related parties and there is a cost-pooling arrangement amongst them, IRAS is prepared to **accept if services are charged at cost (i.e. no mark-up)** provided the following conditions are met:-

- Services are not provided to any unrelated party;
- The provision of the services is not the principal activity of the service provider. If the cost of the provision of services exceeded 15% of the total expenses of the service provider, the services will be treated as the principal activity of the service provider;
- The services must be routine support services; and
- There is evidence to prove that the cost-pooling arrangement was entered into on a prospective basis.

Strict Pass-through Costs


Where payments are made to third-party or related party service providers which have already charged an arm's length mark-up for their services, it would be **appropriate for the group service provider to pass on such costs without a further mark-up**. This is provided the costs are the legal or contractual liabilities of the related party and the group service provider is merely the paying agent and does not itself act to enhance the value of such services.

Withholding tax on service fees

As for services that are solely rendered outside Singapore, withholding tax will not be applicable for the fees payable to the non-Singapore tax resident recipients. For services rendered in Singapore and the recipient is a non-Singapore tax resident, the payer is required under Section 45 of the Singapore Income Tax Act **to withhold tax at 17%** (reduced rate under Double Tax Treaty may be applicable if Certificate of Residence from the non-Singapore tax resident is available) of the gross fees and account to IRAS together with a completed Form IR 37 **by the 15th of the month following the date of payment to the non-Singapore tax resident**.

Our comments

Please review your current financial transactions immediately and should there be any related party loans and/or related party services exist, please ensure that steps are taken to re-arrange or re-structure your company's related party transactions/agreements to comply with arm's length principle before the end of 2010.

Please feel free to contact our tax personnel for further assistance or clarification if necessary. 





Construction Specialties group of companies Executive Vice President Mr. R. Gordon Stewart (2nd from left sitting) and his management team having dinner with Mr. Paul Wan



Mr Paul Wan, a Resource Speaker during 2010 Teambuilding Seminar with Mr & Mrs Villaruz in Philippines

Mr. Yang Ping (CEO of China Foodart International Pte Ltd) meeting Mr. Paul Wan



Paul Wan & Co. annual retreat 2010 in Hong Kong.



Welcome visit by Government officers from Jiangsu Institute of Certified Public Accountant, Nanjing, China



For more information, please contact:

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